EDC TODAY

Fraser Cedar
Giving shingles a whole new look

New EDC president hits the ground running

Forestry exports growing despite challenges

Opportunities in Eastern and Western Europe

WINTER/JANUARY 1998

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RANSLATION **EDC TODAY** is translated
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DC TODAY is published four times a
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of financial and risk management services,
including export credit insurance, financing
to foreign buyers of Canadian goods and
services, and guarantees. EDC is a finan-
cially self-sustaining Crown corporation
that operates on commercial principles.

The editor welcomes signed letters
of comment on articles that appear in
EDC TODAY or on events and issues
related to the Canadian export industry.
Letters may be edited to meet the
magazine's style and space requirements.

All dollar amounts indicated in the magazine are in Canadian dollars unless otherwise specified.

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Ce document existe également en version française.

EDC TODAY

WINTER/JANUARY 1998

On the Cover

Fraser Cedar gives shingles a new look.
(See article, page 15.)

Hitting the ground running

For the first time in its 53-year history, EDC has a President and CEO who has risen through the ranks. No briefing papers required. No learning curve. Ian Gillespie is up to speed and excited about the prospects for 1998 and beyond.

"EDC is a unique blend of the private sector and the public sector," observes Ian Gillespie. "It takes some time to fully understand the operating philosophy of the corporation because we don't behave exactly as a private sector financial institution would. That is, we're not a profit maximizer, driven by how much goes to the bottom line on each and every deal. We're an export maximizer, striving to grow Canada's export volumes and the number of exporters. Yet, we have to deal from strength and have a healthy bottom line to offer the required risk capacity for Canadian exporters, now and for the future."

Gillespie has had close to 20 years to get to know EDC. An employee since 1978, Gillespie was appointed president in August 1997, after holding various positions of increasing responsibility. Most recently the corporation's Senior Vice-President, Risk Management and Corporate Performance, Gillespie has also held senior positions in several other areas of EDC, including Insurance Services, Treasury, Financing, and Policy, Planning and Evaluation. Having been with the corporation through many iterations, he is now prepared to take it to the "next level of sophistication."

Maximizing exports

One thing that has not fundamentally changed is EDC's mandate: to strengthen the global competitiveness of Canadian exporters and investors. This is something of which Gillespie is extremely proud, and he says his goal is to "continue to build what we've been successfully building for many years, only faster and more creatively."

According to Gillespie, EDC has learned what customers need to achieve a competitive advantage, and will be endeavouring to meet more of those needs within the limits of its mandate. The business has grown significantly due to the export success of our customers. Also, profitability has increased, and is consistent with the growth in business supported, affording EDC the ability to continue to enhance its risk capacity.

"And that," says Gillespie, "is what exporters say they need from us. They want the risk capacity at the best available price. Knowing we have the capacity to complete a deal is far more useful to an exporter than being offered partial capacity because of an imprudently low price. The former creates exports, the latter opportunities lost."

As Gillespie points out, EDC's profits are not building up in a bank account. "EDC has been able to expand its capital base, which allows it to do more in some 200 countries around the world. It can support more exporters or larger deals, open new markets, find creative structuring solutions, or whatever else is needed, without relying on capital infusions from the shareholder."

Gillespie says EDC's treasury expertise can also be used more creatively to gain a competitive advantage for exporters. "Our status gives us access to all the important financial markets at attractive rates which obviously benefits exporters. For sophisticated foreign borrowers, this same expertise can be used to advantage for our customers by offering multiple currencies, options or other innovative structures. The combined efforts of the asset and liability sides of the business are a very potent force."

Increasing risk capacity

EDC is also looking at a wider range of markets than ever before. "Our risk appetite is expanding," says Gillespie. "We're expanding in high-risk and developing markets, and also into the high-risk commercial activities in developed markets. Both are important, and there's no question this is what makes EDC unique: we are prepared to take risk in some 200 countries around the world. We can do this because EDC has the largest pool of trade finance skills available in the country under one roof."

Gillespie emphasizes the fact that EDC is recognizing new potential in emerging markets. "Yes, they are high risk, but opportunities are opening up, whether as a consequence of privatization, a complete change in the political infrastructure, or maturity of the local economy. We need to get in there and really understand what's going on, while Canadian exporters need to be selective and rely on partners like EDC to help them.

"We need to identify deals with the right attributes to maximize the likelihood of success. It's really about finding an appropriate risk/reward balance."

EDC's ongoing challenge is to prudently manage not only the amount of risk but also the type of risk it takes in emerging and developed markets. According to Gillespie, "In some emerging markets, for example, we recognize that the commercial risk may be better than the sovereign risk. But it also takes more homework to ensure you know what you are doing."

Customers and potential customers often look to EDC's Economics and International Markets groups to provide analysis of export markets. In addition, EDC is increasingly able to offer concrete experience and contacts within higher-risk markets.

"The first deal is usually the most difficult but, once we get it done, the learning curve flattens and other deals can quickly follow. It's really a question of building confidence through experience. There's no better proof than success."

Gillespie sees EDC's increasing capacity for risk as another evolutionary process. "Many years ago, we had relatively few products and fairly rigid response criteria. If a deal didn't fit

those criteria, then we couldn't do much for the exporter," comments Gillespie.

"We're evolving to a point where we can understand the risks as well as the key success factors involved in each deal, for both the exporter and the buyer. This allows us to put a solution together that meets their needs," he adds. "That is where creativity comes in – being able to assess a situation quickly, and respond with the appropriate solution. And that also includes sometimes recognizing early on that we can't find solutions or capacity for every proposal brought forward."

Future role

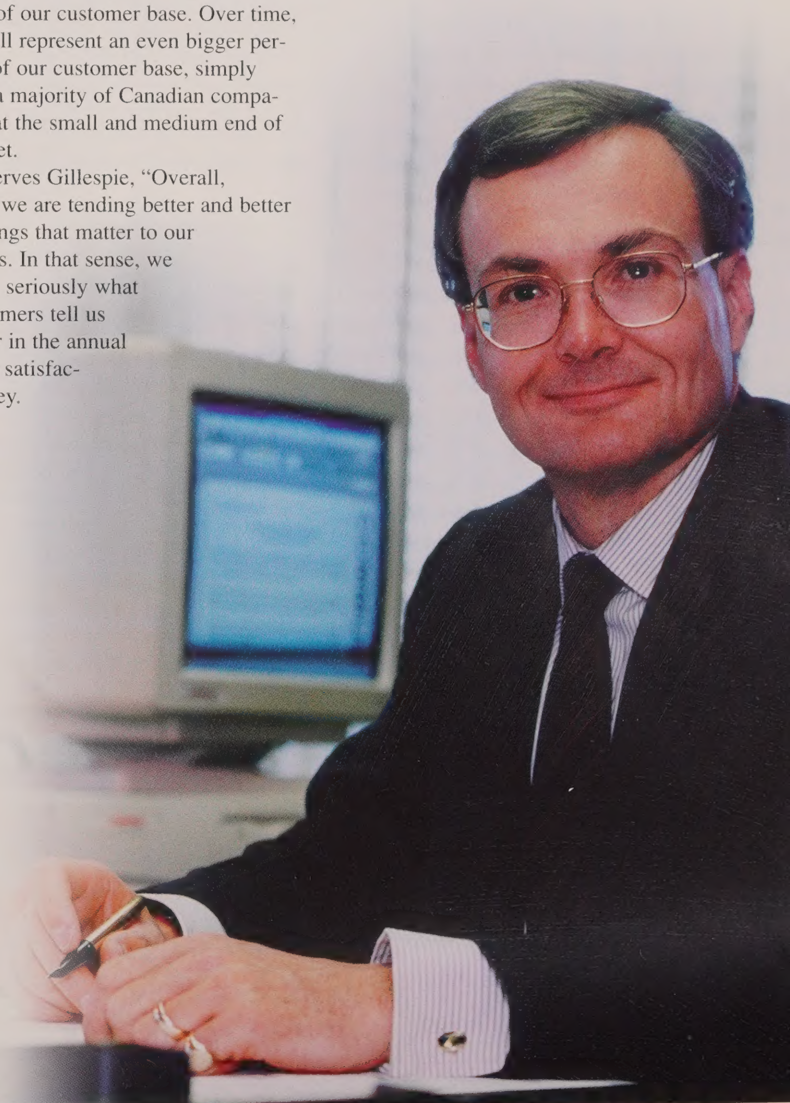
The bottom line is being able to do what it takes to help exporters land deals wherever prudently feasible. For this reason, Gillespie views EDC's legislative review, scheduled to begin in June 1998, as an opportunity to continue telling EDC's story. "Our story is a good one for our customers, for our other constituencies, for the shareholder and, ultimately, for us as taxpayers. The EDC value for money proposition is exceedingly strong and getting stronger. EDC has supported some $170 billion in exports over the past 53 years, using largely the same paid in capital of $983 million. We expect to double this number over the next five years without an increase in the paid in share capital base."

Gillespie concedes, "The one area where there will no doubt be some discussion is domestic insurance. EDC needs to articulate its position more clearly. We're not interested in building a domestic insurance operation – we're interested in selectively supporting the unsatisfied domestic insurance needs of exporters, subject to stringent regulations in place. Exporters have told us that they are unable to get the same level of support for their domestic receivables as they can for export receivables and yet the risks are comparable. That leaves them exposed to high risk if they have substantial exposures domestically – to the point where if one of their major domestic buyers becomes insolvent they may be betting the company. If they can't get reasonable coverage, how would their failure benefit Canada and expand our export trade?"

Another key focus for EDC will be continued support for SMEs. Today, approximately 10 per cent of Canada's one million SMEs are exporters, and Ian says EDC's role is to help bolster those statistics. "I think we have an opportunity to contribute. We have obviously grown our SME base very dramatically in the last few years, so they now represent 85 per cent of our customer base. Over time, SMEs will represent an even bigger percentage of our customer base, simply because a majority of Canadian companies are at the small and medium end of the market.

Observes Gillespie, "Overall, I believe we are tending better and better to the things that matter to our customers. In that sense, we take very seriously what our customers tell us each year in the annual customer satisfaction survey. We are striving to become a competitive advantage, not to just level the playing field for exporters. In 1998, we'll have the opportunity to really show what we've been doing, where we're going, and how we can continue to be of significant benefit to Canada. It's an opportunity I welcome because as exports go, so goes Canada's economic prosperity!"

Cathy Lynch



Northstar: volumes rising, business expanding

Three years after its conception, Northstar Trade Finance is doing more than double the business originally anticipated, and has also helped make Canadian banking history.

One could compare the growth and success of Northstar Trade Finance Inc. to bamboo farming, says Scott Shepherd, president and CEO. "It's like the story of a bamboo farmer and his village who used their meager resources to buy bamboo roots, then planted them deep in the ground," he explains. "The first year, they spent a lot of time watering, cultivating and fertilizing and, to the casual observer, nothing was happening. There was no crop. The next year went by and still nothing happened. All the villagers helping with the venture believed something was going to grow. They had faith, though to the casual observer watching this guy for two years in a row, the farmer appeared demented. Then one night, while the farmer was sound asleep, the bamboo grew. It shot up three feet overnight. The next morning, there it was. Now, to the casual observer, it looked pretty easy, because there was three feet of bamboo where there was nothing the day before. Northstar, to me, is like that bamboo."

> *"The Northstar financing option has become a standard marketing tool for us in the promotion of our products, worldwide."*
>
> **— Gary J. Gould, President, GN Packaging Equipment, Mississauga, ON**

In its third year (ended August 1997), Northstar's business shot up to $130 million in commitments, up from $450,000 in its first year. "It's grown better than expected," says Shepherd. "When we first launched Northstar, we felt if we gathered a portfolio of $50 million it would be beyond our expectations."

Among those commitments are customer sales to the United States, Mexico, Argentina, Chile, Colombia, United Kingdom, New Zealand, Australia, Finland, Germany and Denmark. While most of Northstar's customers are equipment manufacturers, in sectors ranging from plastics to mining, telecommunications also represents a significant portion of its customer base.

Shepherd says Northstar has not deviated from its original plan: to provide loans to foreign buyers who are buying from Canadian exporters, for deals ranging from $100,000 to $3 million. Canadian exporters pay a $300 application fee, and Northstar approves or declines the loan within one week. Repayment terms are one to five years.

Northstar's combined line of credit from the Bank of Montreal and Royal Bank, which now totals $160 million, is used to finance approved loans, and 90 per cent of loan amounts are insured by EDC. Costs to the foreign buyer include the interest on the loan, the EDC insurance premium, an administration fee and out-of-pocket expenses, such as legal fees.

> *"We have often had difficulties completing a deal because we were not able to offer financing. With Northstar as a partner, we now are able to offer a complete package."*
>
> **— Svend Kuhr, President, Kisco Manufacturing, Surrey, BC**

"This financing vehicle has provided MTI the depth and scope to compete aggressively with our European competitors and to successfully place Canadian-made product in areas where otherwise Canada did not compete."

— Mark Andersen, VP Marketing & Sales, Mining Technologies International Inc., Copper Cliff, ON

Royal Bank aboard

Shepherd is quick to share the credit for Northstar's success with its business partners. "We had to build credibility in the early stages, and our partnerships with the Bank of Montreal, EDC and provincial governments helped with that," says Shepherd. "Now, we've announced the Royal Bank's acquisition of Northstar's shares, which is in itself a unique situation. I believe it's the first time in Canadian banking history that two Canadian banks have joined together in a retail product." The Royal Bank and Bank of Montreal each own 23.5 per cent of shares, the province of British Columbia owns 23 per cent, and Shepherd's company, Dalhousie Financial Corp., holds 30 per cent.

Shepherd says the joint venture between the Bank of Montreal and the Royal Bank is a sign of good things to come. "Historically, Canadians have always been accused of being our own worst enemies when we go offshore," he says. "We haven't been able to focus our immense resources into support for bids and exporters. This is an excellent example of turning that situation around."

Breaking new ground is nothing new for Shepherd. According to Roger Pruneau, EDC's Executive Vice-President of International Markets, "Before small business became the mantra of the business and political communities, Scott recognized the importance of serving this key segment of the economy. His vision, when founding Northstar, was to help fill a gap he had identified in the marketplace, by financing smaller export sales."

"Northstar has established a new level of service for exporters and has reshaped the face of export finance for small- and medium-sized companies."

— John Zhang, Export Manager, Asia Pacific, Husky Injection Molding Systems Ltd., Bolton, ON

Obviously, customer demand is present and growing. In addition to enjoying dramatically increased business volume, Northstar has expanded beyond its original Vancouver location. Northstar opened its Toronto office in January of this year, and expects to open a Montreal office soon.

Scott Shepherd can be reached by e-mail at s.shepherd@northstar.ca or phone (604) 664-5828. For further background on Northstar, see **EDC Today** Spring/Summer 1996, page 13.

Cathy Lynch

GrowExport program helps KBI exporters

Since its startup a year ago, just a handful of exporters have used the EDC/CIBC GrowExport program to access the working capital they need to take advantage of export sales opportunities. But that is about to change. According to Linda Graupner, Team Leader for EDC's SME Financial Services group, "We expect, as with any new program, that we'll see more rapid growth as exporters become more aware of its availability."

The program is a risk-sharing guarantee developed by EDC and the Canadian Imperial Bank of Commerce (CIBC) to help smaller exporters in the knowledge-based industry (KBI) sector.

Typically, customers utilizing the program are knowledge-based businesses with annual revenues of up to $25 million. Although a company's products may already be well received in the market, and that company may have already proven its ability to deliver on orders, a crunch can occur when a large purchase order from a foreign buyer lands in the would-be exporter's lap. Often, the exporter has to incur costs in excess of its daily operating capabilities, in order to fulfill its obligations under the commercial contract.

Under the CIBC GrowExport Program, EDC's guarantee covers 50 per cent of loans made by the bank to exporters to fund the preshipment costs necessary to complete the export contract. The terms of these loans are linked to the delivery terms under the commercial contracts. Approved loans can be single- or multiple-draw facilities, to a maximum of 90 per cent of the contract costs. Finally, the approval process is fast and simple. The only paperwork required by EDC is the bank's internal credit application, a copy of which is submitted to EDC along with the details of the commercial contract.

Mike Moore, Director of Southwestern Ontario Knowledge-Based Business at CIBC, describes the program as a "win/win/win situation" for exporters, EDC and the bank.

"The security enhancement that EDC provided through the guarantee has allowed us to offer an adequate level of financing to firms to meet their export contract financing needs," says Moore. He adds that not only does the program enable exporters to access the working capital required, often in situations where it would otherwise be difficult to obtain, but it also helps EDC and CIBC to keep existing customers happy and, in some cases, to gain new customers.

For more information about the EDC/CIBC GrowExport program, contact Terry Burbridge at (613) 598-2870 or Keith Steacy at (613) 598-6645.

Keith Steacy is an advisor in EDC's SME Financial Services group.

EDC claims paid to date

January 1-September 30, 1997

Companies	Claims	Cdn $ total
384	1,045	$31,017,427

Export markets	Count
Africa & Middle East	10
Asia & Pacific	14
Europe	90
South America	20
United States & Caribbean	911

Risks	
Default	742
Insolvency	275
Call of bond	10
Repudiation	16
Political and transfer	0
Termination of contract	2

Payments	
Under $5,000	583
Between $5,001 and $100,000	403
Between $100,001 and $1 million	56
Over $1 million	3

Year 2000 poses threat to computer users

Despite the increasing publicity surrounding the Year 2000 phenomenon, many people are still not aware of all the potential problems that could strike when the clock ticks past midnight on December 31, 1999. Not to mention the problems that may surface sooner.

If you, your suppliers, your customers, or your other business partners use computers, the "Year 2000" phenomenon has the potential to affect your business — in some cases, dramatically. "One of the most serious potential problems associated with the year 2000 crisis is that some companies may go bankrupt or fail either as a direct result of the year 2000 problem, or as a possible defensive measure to stave off massive damages due to year 2000 litigation," reports industry analyst Capers Jones, Chairman of Burlington, Massachusetts-based Software Productivity Research, Inc.

In the infancy of the computer age, certain resources such as memory and storage were very expensive. To make economical and efficient use of these resources, the industry developed a shortcut. It began representing the year with two digits by dropping the century (e.g., 1998 became 98), and this practice became an industry standard. The result is often referred to as a "time bomb," set to go off at the turn of the century. When the century roll-over occurs, dates will contain the two-digit year "00." Many computer programs, all kinds of computer hardware and, in fact, anything that operates using a computer "micro-chip," could potentially fail or produce incorrect results when

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…fect computed results				
…ent date: Oct. 1, 1997				
	Expiry Status			
	…tem		Non-compliant System (YY)	
Sept. 15, 1996	expired	(1996/09/15 is less than 1997/10/01)	expired	(96/09/15 is less than 97/10/01)
Sept. 15, 1997	expired	(1997/09/15 is less than 1997/10/01)	expired	(97/09/15 is less than 97/10/01)
Sept. 15, 1998	in force	(1998/09/15 is not less than 1997/10/01)	in force	(98/09/15 is not less than 97/10/01)
Sept. 15, 1999	in force	(1999/09/15 is not less than 1997/10/01)	in force	(99/09/15 is not less than 97/10/01)
Sept. 15, 2000	in force	(2000/09/15 is not less than 1997/10/01)	expired*	(00/09/15 is less than 97/10/01)
Sept. 15, 2001	in force	(2001/09/15 is not less than 1997/10/01)	expired*	(01/09/15 is less than 97/10/01)

** To determine whether the expiry date has passed, the expiry date is compared to the current date to see if it is less than the current date.*

Thinking ahead is imperative

Some programs, such as those that calculate forecasts, repayment schedules, interest calculations or expiry dates may already be producing invalid results as a consequence of non-compliant date usage. As a result, problems are already arising. For example, there is a fruit and vegetable store in the United States already suing a computer company, alleging that the computer company knowingly sold a defective product. The fruit and vegetable store is seeking at least a $10,000 judgment to compensate for the disruption of business encountered while using the computer system to validate credit card purchases. The system continually "crashed" when attempting to validate a credit card expiring in the year 2000 (00) and often required several hours to be brought back on-line. This caused lengthy delays in check-out lines and the loss of business as customers went elsewhere.

This date anomaly could also afflict your customers, suppliers or business partners who use computers, causing them financial difficulties, failure to meet delivery dates or the inability to supply you with correct financial information.

EDC has been aware of the potential crises surrounding Year 2000 since 1996, when we began a corporate-wide initiative to survey all of our computer systems and processes for compliancy. We are striving to ensure that the Year 2000 problem does not affect our business, so that we in turn do not jeopardize service to our customers. The target date for becoming completely compliant is the end of 1998, giving us one full year to continue to test and verify that our systems will operate reliably. Another of the goals of our Year 2000 project is to ensure that all of our customers, suppliers and business partners are aware of the full extent of this problem and are taking appropriate action to protect themselves.

"Assuming that five or 10 per cent of commercial concerns will fail because they are unprepared for the year 2000, one way exporters can protect themselves is to insure receivables against losses caused by buyer insolvency," says Keith Milloy, Chief Underwriter, Short-Term Insurance.

To prepare your own company, start with a complete inventory of all computers, software, applications and anything else that is computer-driven and date-dependent (e.g., fax machines, phone switches). Next, do a business-risk assessment to determine which systems are critical to your operation and/or are likely to fail soonest, then prioritize your efforts to analyze and repair those that are non-compliant. Finally, check into the Year 2000 compliancy status of your own customers, suppliers and business partners to assess any potential risk to your own business.

Let's work together to ensure that it is, indeed, "business as usual" come the year 2000.

Gordon Lovasz is a Senior Business Analyst working in the Information Systems Division. Since March 1997, he has been managing EDC's corporate-wide Year 2000 project.

Fostering trade with Latin America

The fast-growing Latin America market is the focus of increasing export and investment efforts on the part of Canada's public and private sectors — as is evidenced by the upcoming Trade Canada mission.

Currently one of Canada's largest export markets, Latin America's strategic importance to Canada is ever increasing as trade liberalization intensifies, and global issues require new forms of partnerships among various countries.

Indeed, The Honourable Sergio Marchi, Minister for International Trade, has said that his department will re-deploy its resources to give greater weight to trade promotion efforts in the fast-growing markets of Latin America and Asia, as well as to take advantage of new opportunities in Europe and the United States. His plan is to increase the number of trade commissioners in these markets by more than 30 per cent over the next five years by moving more officers out of headquarters and into the field.

Opportunities in Latin America exist in many sectors. International financial institutions estimate that the required infrastructure investment in Latin America will be approximately US$70 billion per year for the next 10 years. This is good news for Canadian exporters, since Latin American needs and Canadian expertise are well-matched. Generation of electricity, pipeline building and telecommunications development are all areas in which Canadian companies are global leaders. Canadians have also gained competitive advantage in sectors such as mining, transportation, housing and agriculture — sectors in which countries such as Mexico, Brazil, Argentina and Chile offer opportunities not only in terms of purchases but also in terms of investment. Canada is among the leading investors in Latin America.

The Team Canada trade mission to Latin America this winter will not only help Canadian exporters gain access to opportunities that are arising, but will also help to further strengthen relationships already established by Canadian government officials and members of the Canadian business community. Furthermore, it is anticipated that future partnership-building opportunities will arise for other senior-level delegations to travel to Latin America.

Canadian keys to success

While Canada already has an impressive track record in terms of exports and investments within Latin America, there is still a great deal of unrealized potential. Mexico, Brazil, Argentina and Chile together represent 65 per cent of the total population of Latin America and 77 per cent of the total GDP. The scale of opportunities is impressive, as long as exporters do their homework, understand the idiosyncrasies of the market, and learn from the successes (and mistakes) of other Canadian companies doing business in these markets.

EDC's track record in Latin America is worth noting as well. Over the past three years, we have supported close to 45 per cent of Canadian exports to the region.

Exporters can also benefit from the Canadian government's ongoing efforts to facilitate access to these markets. The government remains committed to removing trade barriers, as evidenced by the North American Free Trade Agreement and the Canada-Chile Free Trade Agreement, which in effect allow Canadian companies to export, invest and trade more freely and also provide dispute resolution mechanisms. This in itself provides for a more stable context for the development of long-term strategies for companies. The Free Trade Agreement for the Americas is also intended to foster the interests of Canadian companies. Finally, Canada's active participation in the World Trade Organization provides a forum to address trade issues at a more global level.

For more information on the upcoming mission, contact the Team Canada hotline at tel.: *(613) 995-2194 or fax: (613) 996-3406.*

Nation benefits

Among the greatest benefits of the upcoming Team Canada mission will be the heightened profile it will provide for Canada, as well as the network of contacts it will enable Canadian representatives to develop, both with their foreign counterparts and among themselves.

According to EDC President Ian Gillespie, EDC representatives on the Latin America Trade Mission will focus on helping exporters understand the full extent of EDC services available to them. "Even some of our largest customers do not appreciate the full breadth of services we provide," says Gillespie. "They're very cognizant of those that they currently use, but they don't necessarily recognize our other services. There are a whole lot of different dimensions that I don't think exporters are taking full advantage of and the problem is compounded when you're dealing with companies that aren't currently exporting or aren't knowledgeable about EDC to start with."

Relationships are key if we are to develop an ongoing flow of opportunities between Canada and Latin America, based upon mutual interest. Trade liberalization removes barriers to trade but also leads to an intensification of competition. That's why we need to be there, face to face.

Luc Dupont is Regional Manager for Latin America, in EDC's International Markets group.

Forestry exports growing despite challenges

These are volatile times for Canada's forest products industry. The list of challenges is a long one, including ever-present trade barrier threats and the need to develop new markets.

The traditional image of Canadians as "hewers of wood" has long since ceased to fit the predominantly urban nature of the country, but it still rings true economically.

Canada has about 420 million hectares of forest land, including the world's second largest commercial softwood forest after Russia. The forest products industry makes an enormous contribution to Canadian wealth and living standards through its export performance.

The Canadian forest products industry is divided into two major groups. The paper and allied products group manufactures pulp and paper products such as newsprint, and value-added paper products like packaging, coated papers and stationery. The wood industries group makes commodities like lumber, plywood, shingles, veneer and particleboard, and higher value-added products such as manufactured housing, doors, windows, cabinets and hardwood flooring.

Industry Canada and Statistics Canada figures show that the industry is consistently the largest contributor to Canada's trade balance, accounting for $37.4 billion in exports in 1996. The industry is also Canada's largest non-urban employer and hundreds of small communities are dependent on the forest sector for their livelihood.

Canada remains the world's largest forest products exporter, with 19 per cent of global market share. In 1996, 71 per cent of Canadian exports were to the United States, followed by 11 per cent to Japan and nine per cent to Western Europe.

Overall, growth in this sector is expected to continue, with average export growth of forest products expected to exceed five per cent annually from 1997 to 2001.

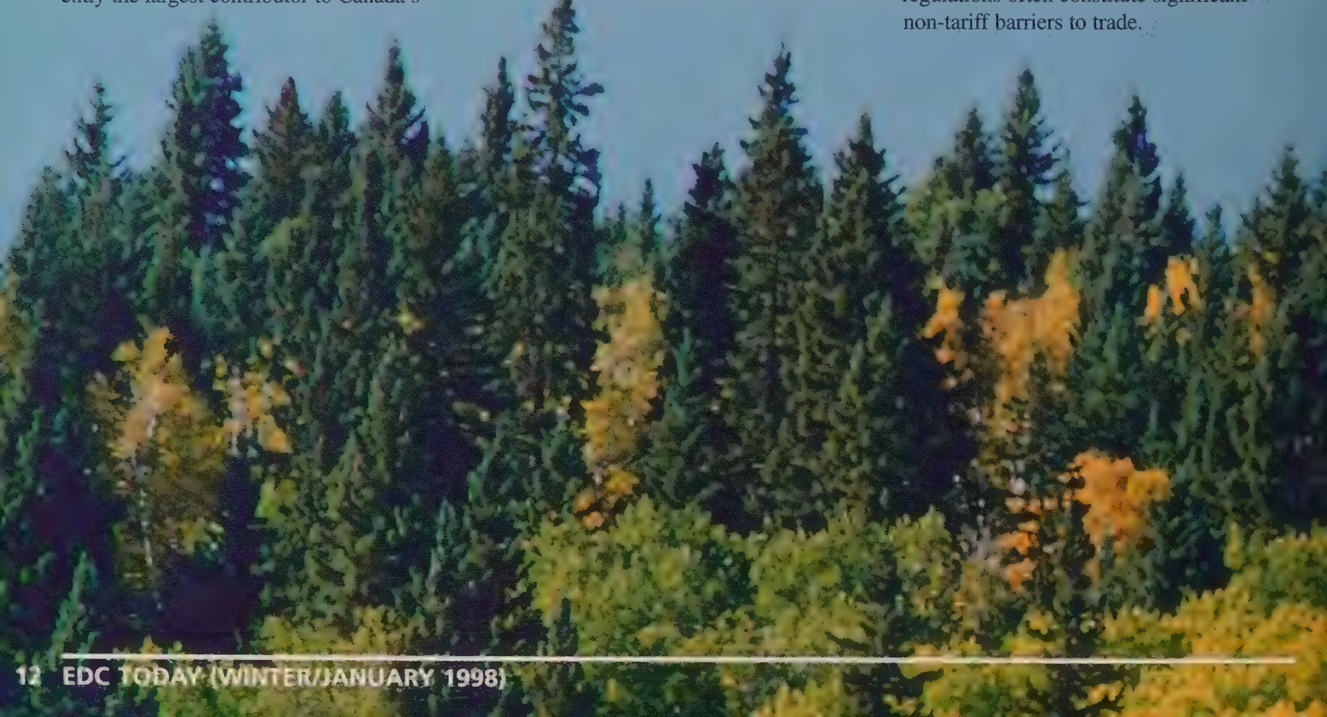
Trade issues top list

The forest products industry has historically faced a wide range of issues affecting its growth and prosperity. These include the effort to reduce the traditional reliance on the lucrative U.S. market by expanding into new markets; the continual need for increased capital spending and research and development; and the requirement to shift away from commodity production toward increased production of higher value-added wood and paper products.

Because the forest products industry exports approximately three-quarters of its production, market access issues top the list of crucial considerations. The sector's goal is free trade in all forest products and, overall, the global trend is toward deregulation and tariff-free trade.

Under the World Trade Organization, for example, the United States, the European Union, Japan and the Republic of Korea agreed to eliminate all tariffs and non-tariff barriers on pulp and paper products over 10 years, beginning January 1, 1995. Similarly, the North America Free Trade Agreement (NAFTA) between Canada, the United States and Mexico will eliminate all tariffs on pulp, paper and wood products by 2003.

However, foreign government policies regarding such matters as building codes and standards, recycled content and health regulations often constitute significant non-tariff barriers to trade.



In the early 1990s, Canadian structural wood products were shut out of European Union markets after regulators found nematodes – microscopic organisms that infect pine and other softwoods – in Canadian wood.

"The Europeans imposed costly regulations on debarking and special treatment of the wood that effectively shut the market to our structural products," says Robert Rivard, Executive Director of the Canadian Lumbermen's Association in Ottawa. "Our products were making significant inroads and we felt they used the 'biological route' to restrict trade."

In contrast, the lifting of non-tariff restrictions typically boosts trade. By 1995, for example, Canada was already the largest exporter of manufactured housing to Japan, with export growth of nearly 200 per cent since 1992.

In 1996, two years of talks between Japanese and Canadian officials culminated in Japan's Ministry of Construction agreeing to recognize Canadian wood-grading standards, timber frame structural rules and the accreditation of Canadian testing organizations.

"This means that if the wood meets Canadian building codes, then it meets Japanese codes as well," says Rivard. "Our members, who manufacture hardwood and softwood solid wood products, are seeing even higher volumes of exports to Japan because of this agreement."

Trade agreements like the Canada-U.S. Free Trade Agreement and NAFTA have hardly been uniformly positive, however. One example: The number of domestic producers of non-corrugated paperboard products – such as cereal boxes, tissue boxes and cigarette packages – has been shrinking, due to a wave of mergers and acquisitions since the Free Trade Agreement.

Exports of paperboard products have also fallen. Many of this subsector's customers, which operate Canadian subsidiaries, have shifted purchasing activities to the United States and now buy from local paperboard suppliers.

"Exports by our members are only 20 per cent of shipments," says Jim Thurston, president of the Toronto-based Canadian Paperbox Manufacturing Association. "We now have fewer but larger companies. Those that remain are focusing on specific niches."

For example, Somerville Packaging, the folding carton division of Montreal-based Paperboard Industries International Inc., recently won a $250 million contract to supply cereal boxes to the Kellogg Company of Battle Creek, Michigan.

"We are already a major supplier of clay-coated boxboard to the Canadian operations of U.S. dry foods producers, including Kellogg's, Kraft and General Mills," says Cam Gentile, Vice-President and Chief Operating Officer, North American Operations for Paperboard Industries. "Our strategy is to build on this base by expanding our business with the parent companies in the United States."

Ties to U.S. market still strongest

Over the past two decades, exports to the United States have consistently accounted for between two-thirds and three-quarters of Canada's total forest products exports.

Strong Canadian export performance led to repeated allegations being made, against Canadian softwood lumber producers, of unfair subsidization through low stumpage fees.

In early 1996, the Canada-U.S. Softwood Lumber Agreement was signed to prevent any further U.S. trade actions in this area for five years. The agreement imposes financial penalties if softwood producers in the four main producing provinces – British Columbia, Alberta, Ontario and Quebec – exceed an export quota of 17.1 million board feet per year to the United States.

Despite the restrictions, some Canadian softwood producers have exceeded their allotted quota and absorbed the penalties in order to meet increased demand for lumber in the United States.

Many industry observers predicted that the Softwood Lumber Agreement would stimulate Canadian softwood producers to explore alternative markets more aggressively, and shift more rapidly toward value-added wood product production.

"Because of the robust U.S. economy, the change is slower than anticipated," says Mark Boutin, Associate Editor of the trade journal *Widman's World Wood Review*.

According to Statistics Canada, production of softwood and hardwood lumber totaled 26.6 billion board feet in 1996. Of that volume, 19 per cent was sold domestically; 67 per cent was exported to the United States; and 10 per cent was exported to Japan, primarily from coastal B.C. producers. Europe, the Middle East, and other Asian markets accounted for the remaining four per cent.

"It's a familiar story," says Boutin. "Extensive efforts have been made by B.C. producers to develop Japanese markets, but across the industry the pull of the U.S. is strong. It's familiar, it's easy to make money there, the relationships go back a long way."

Still, there is a steady trend to developing both overseas markets and value-added products. "There is a definite change in attitude toward the U.S. market," insists Rivard of the Lumbermen's Association. "Companies are interested in setting up joint ventures in the United States to produce more value-added goods like kitchen cabinets, windows and doors, but they are also testing out huge markets like Japan, China and Russia. These are unknown and often difficult markets for our members, but companies want to become less reliant on the United States."

More assistance from EDC

Reflecting the industry's growth patterns, forestry products exports supported by EDC are rising dramatically. In 1994, EDC supported the sale of $2.6 billion worth of forest products exports. That jumped by 97 per cent to $5.1 billion in 1995, rose again to $5.5 billion in 1996, despite the collapse in pulp and newsprint prices, and is expected (as of press time) to reach approximately $8 billion in 1997. Supported largely through short-term insurance products, the forestry sector accounts for five per cent of EDC's customer base, but close to 30 per cent of its business volume.

To provide focused assistance to forest products exporters, EDC formed a Forestry Team in late 1995. The team supports Canadian companies with forest industry exports exceeding $1 million annually. Small- and medium-sized enterprises (SMEs) represent 61 per cent of the team's insurance policyholders.

By geographical destination, the principal markets for EDC-supported exports are the United States representing roughly one third, followed by other industrialized countries (including Europe), Japan, Latin America and Asia.

"We are now providing more protection to pulp and paper producers who are exporting to South Korea and other Asian countries that are now experiencing pressure on their currencies," says Catherine Hess, Forestry Team Leader. "In South Korea, the currency crisis and fear of a ripple effect from the bankruptcies of several of the country's leading conglomerates has resulted in more exporters insuring their Asian receivables, including Letter of Credit transactions."

Companies should never forget the risk in exporting to the U.S. market, notes Hess. "The home improvement retail sector is where we've paid the most forestry claims this year, which has proven to be the highest commercial risk sector for Canadian forest products companies.

"We work closely with the financial analysts in our Credit Surveillance & Analysis Department who specialize in this sector and monitor the credit conditions with critical-risk buyers. This specialization and close monitoring allows us to take more risk and for a longer duration in the face of deteriorating credit conditions."

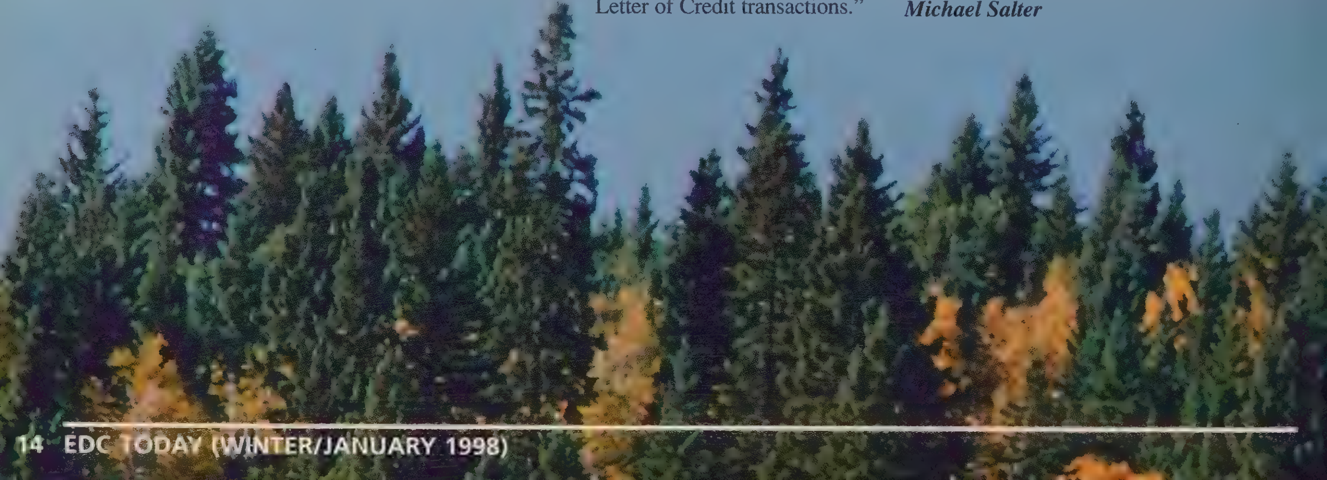
Companies interested in selling overseas are increasingly turning to EDC as they learn that carrying export insurance can make them more competitive. They can offer longer payment terms and accept a higher level of outstanding receivables, knowing that this larger exposure is insured.

EDC is also responding to customer needs by tailoring its insurance policies to suit the exporter's credit practices rather than their having to alter their credit practices to suit the policy. This includes allowing more latitude to the exporters for granting credit without having to refer to EDC for credit approval," says Hess.

Another example: a policy may be tailored to provide catastrophic loss insurance to larger exporters who are prepared to take some risk on their own and wish to insure only their largest receivables.

"We are committed to offering flexible terms to Canadian companies that want to expand their business, safely and with security, into North America and foreign markets," concludes Hess.

Michael Salter



EXPORT WISE

A News Supplement to EDC Today

Presenting winners with the 1997 Canada Export Awards were corporate sponsors (from left) Robert Panet-Raymond, Senior Vice-President, Commercial Banking, CIBC; The Honourable Sergio Marchi, Minister of International Trade; Michael Larkin, Vice-President Corporate Manufacturing, Bell Canada; and A. Ian Gillespie, President and CEO, Export Development Corporation. For details, see "1997 Canada Export Award winners" on page 4.

Canada's Secret Export Weapon

"EDC may be Canada's secret trade weapon, but we intend to become less secret and much more visible, accessible and innovative in the months and years ahead," says A. Ian Gillespie, President and Chief Executive Officer of EDC.

According to Gillespie, "Exports are one of Canada's key economic drivers, and a cornerstone of job creation, economic growth and prosperity. As a federal Crown corporation, EDC's financial strength and flexibility not only provide us with the capacity to support more exporters in more markets, but also deliver significant economic benefits to Canada."

Gillespie's comments came during the annual convention of the Alliance of Manufacturers and Exporters Canada held this fall in Quebec City.

EDC encourages both smaller and larger exporters to grow their business through export sales by offering some of the most sophisticated trade finance skills available in Canada today. Our risk management services and innovative trade finance structures allow exporters to respond quickly to evolving market demands and global competition.

Perhaps the proverbial "Made in Canada" solution, EDC is a unique commercial financial institution — not a profit maximizer — that seeks a balance between private sector disciplines and a public policy mandate.

Says Gillespie, "Only EDC will support Canadian exporters in more than 200 countries throughout the world, including higher-risk and emerging markets. Our goal is to serve more customers, support more business and take more risk on behalf of our customers, all in a financially sound manner."

During the convention, Gillespie and The Honourable Sergio Marchi, Canada's Minister for International Trade, jointly presented the *Canada Export Award* and *EDC Smaller Exporter Achievement* to Lorne Berggren, Chairman and Chief Executive Officer of Berg Chilling Systems Inc.

Berg Chilling Systems, a small, family-owned business based in Scarborough, Ontario,

...continued on page 2

EDC adds support for Canadian exporters selling to China

Recognizing the importance of China as a destination for Canadian exports, EDC is dedicating new resources to strengthen its market intelligence and enhance the service it provides to Canadian companies.

Building on the extended market visit undertaken in 1997 by Marvin Hough, Regional Manager for China, EDC has appointed a full-time representative in Beijing to assist Canadian companies and their Chinese buyers.

"EDC considers the addition of a full-time resource in China as evidence of its commitment to providing exporters with enhanced market intelligence in order to develop new risk management solutions in the evolving China market," says EDC's President Ian Gillespie.

"China is one of EDC's priority markets," adds Gillespie. "Its booming economy and its enormous population offer many business opportunities for Canadian exporters. Our research has identified opportunities for exporters in all industry sectors but many of these firms have not yet explored this market due to the high uncertainties and risks of exporting. That's where we can play a key role — helping them manage those risks."

Appointed as EDC's new China representative is Anne Whetham, who was most recently a trade commissioner with the Department of Foreign Affairs and International Trade. She will be based at the Canadian Embassy in Beijing and will work closely with Marvin Hough and the rest of EDC's China team in Ottawa. Whetham is well positioned to assist in developing and maintaining EDC relationships with key contacts in the China market, and will be able to probe and help resolve issues as they arise in the fast changing and complex China market.

Jayne Watson

Auto sector added to workshop circuit

EDC's first automotive seminar, entitled "Gearing Up for Global Success" was held in Windsor, Ontario in October. While only one per cent of Canada's population lives in Windsor-Essex-Tilbury, it is a hub for the automotive industry. The area is home to 20 per cent of all Canadian tool and die makers, 50 per cent of Canadian industrial mould manufacturers and 80 per cent of automation transfer machine companies operating in Canada.

Co-sponsored by the Windsor-Essex Development Commission, the event attracted more than 50 representatives from companies exporting parts, tools, moulds and equipment, plus bankers, accountants and other intermediaries. EDC's Chief Economist, Jim Olts, opened the seminar with his assessment and forecast of key markets for automotive exports, including Mexico, Argentina, Brazil, Thailand, India and China.

In addition, Dennis DesRosiers of DesRosiers Automotive Consultants presented his outlook for the North American Automotive Sector. His forecast indicated that current consumer demand for vehicles should be sustainable for at least the next two years. As a result, demand for Original Equipment parts should also hold over this period. DesRosiers' remarks highlighted key supplier issues such as access to capital and the need for innovative financing, and participants were given the opportunity to attend sessions about the EDC products available to address these issues.

Automotive Relationship Manager Walt Hutchings presented EDC's tooling procurement program which assists tool, die and mould makers with pre-shipment financing. Financial Services Manager David Rowsell explained how foreign buyers can access long-term financing from EDC to purchase Canadian-made tools, mould and dies. Business Development Manager Laura Gainer described the benefits of EDC's credit insurance policy both as a risk management tool and as a means to access additional working capital from an exporter's bank.

In addition, Larry Bannon, Manager Traffic for Lamb Technicon Machining Systems, shared his company's experience in dealing in Eastern Europe with the support of EDC.

To learn more about EDC's products and services for the Automotive industry, please contact your nearest EDC office (see contact page on inside back cover).

Laura Gainer

Canada's Secret Export Weapon *...continued from page 1*

designs and manufactures industrial refrigeration equipment, ice makers and machinery for process cooling. Berggren credits EDC with being supportive of the company in many ways.

"EDC not only advises us about country risk when we're trying to penetrate new international markets, and reviews projects in regard to financing, but it also gives us information regarding insurance issues, which reduces our exposure to defaults in payments by potential customers," says Berggren.

"I think it is important that we recognize, and continue to promote, Canada's export champions, like Berg Chilling Systems, through programs such as the Canada Export Awards," says Gillespie. "Small- and medium-sized exporters are an important element of this growth. There are close to one million SMEs in Canada and only about 75,000 of these export. The days when exporting was a business option are over. Today, going global is the key to ensuring a company's growth and prosperity."

Winning a Canada Export Award is probably more important today than at any time in the past. Not only does the Award recognize excellence in export business, but it bestows tremendous credibility on the winner: credibility that can be translated into marketing opportunities. And with the number of companies exporting today, competition to win this recognition has never been more intense.

"At EDC, small business is 'big business.' We have worked hard to tailor our financial services to fit the specific needs of smaller exporters, and fully 85 per cent of our customer base is made up of SMEs. *The Canada Export Award* and *EDC Smaller Exporter Achievement* recognize the tremendous commitment, creativity, perseverance and ultimately success of SME exporters."

How can EDC help stimulate more exports, and create more jobs and wealth for Canada?

"I guess the short answer," Gillespie says, "is to continue to do what we are already doing, but do it better. EDC needs to be more entrepreneurial. We need to grow our trade finance talent pool. We need to be more flexible and creative in our support to Canadian exporters. And we need to exercise our capacity to take more risk."

According to Gillespie, EDC is a good news story. "Over and over again, exporters tell us they need the stability and the staying power that EDC brings to the Canadian business environment. We can make a huge contribution."

Andrew Douglas

EDC expands scope of exporter workshops

Exporters and other EDC workshop participants will see some changes to the workshop schedule in 1998, reflecting feedback from 1997 participants. Sector-specific workshops held for the information technologies (IT) and automotive industries in 1997 were extremely well received by participants, with overall satisfaction scores of eight out of 10 or above on workshop ratings in both sectors.

"Comments we've had on sector-specific workshops have been very positive," says Mike Neals, Director of Marketing for EDC. "In 1998, we will be expanding the schedule to accommodate more sector workshops.

"Customers value our knowledge of their industry as much as our ability to mitigate commercial and political risks," explains Neals. "The traditional format demonstrates our competencies with regards to country knowledge and economics, but the missing link was the extent to which we can translate all of that into terms that are relevant to specific industries."

Neals says sector-specific workshops are planned in 1998 for the automotive, IT and possibly forestry industries. Two IT workshops are scheduled to take place: one will be in Ottawa this spring, and another will take place in Vancouver later in the year. Time frames for the other sector-specific workshops have not yet been established.

EDC's "traditional" Let's Talk Risk Workshops remain popular with participants, with almost two thirds of participants giving an overall score of eight out of 10 or better. "The biggest change to the existing Let's Talk Risk workshops will be to concentrate on the spring season rather than holding them twice annually," says Neals. "We may also be looking at other forums, such as power breakfasts later in the the fall." Neals adds that EDC will be looking at new technology, such as teleconferencing, to reach higher numbers of exporters at lower costs.

Cathy Lynch

Upcoming "Let's Talk Risk" Workshops

Tuesday, March 31	Winnipeg
Wednesday, April 1	Calgary
Thursday, April 2	Edmonton
Friday, April 3	Saskatoon
Monday, April 6	Kelowna
Wednesday, April 8	Vancouver
Thursday, April 16	London
Thursday, April 23	Toronto
Tuesday, May 5	Montreal

Byting into global markets

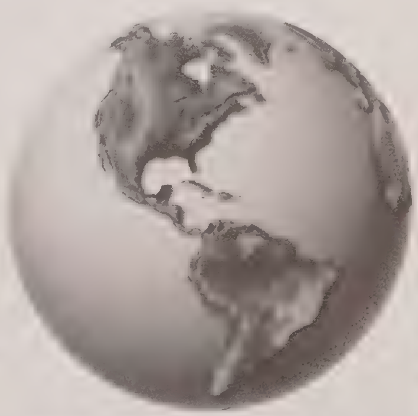
EDC'S second workshop for the information technologies sector was held in October in Waterloo, Ontario and co-sponsored by Waterloo-based Communitech, a partnership of technology companies, education institutions and all levels of government.

Jim Balsillie, Chairman of wireless communications company Research in Motion Ltd. (also of Waterloo), gave the keynote address on Achieving Global Success, referring to EDC as "a bit of a hidden gem in the international export business." Balsillie went on to explain the importance of identifying emerging markets, knowing the competitive terrain, building partnerships and relationships, and using EDC.

Co-chairs for the event were Vince Schiralli, President of Communitech, and Caroline Dabrus, relationship manager for EDC's Information Technologies (IT) Team. EDC's Chief Economist, Jim Olts, discussed international trends and conditions in the global economy, looking specifically at how the political and economic environment can affect the viability of exporting IT products and services to new markets.

On hand to explain products that address critical issues within the IT sector were Dan Ross from EDC's Claims and Recoveries Division, who outlined ways to avoid contract pitfalls, as well as business development managers Howard McCourt and Laura Gainer, who covered credit insurance and buyer financing, respectively.

To learn more about EDC's products and services for the IT industry, please contact your nearest EDC office (see contact page on inside back cover).



1997 Canada Export Award winners

Each October for the past 15 years, the Canada Export Awards have recognized the success of Canadian companies that export their products and services to markets around the world. The recipients of these awards have contributed significantly to Canada's economic growth and have excelled in the global trading arena.

The Canada Export Awards are presented by the Department of Foreign Affairs and International Trade and sponsored by three organizations well known to Canadian exporters: the Canadian Imperial Bank of Commerce (CIBC), Export Development Corporation (EDC) and Stentor, the alliance of Canada's only full-service telecommunications companies.

This year, for the first time, special recognition was given by program sponsors to three of the 10 Canada Export Award winners. Wulftec International, from Ayer's Cliff, Quebec, received the CIBC Job Creation Achievement; Berg Chilling Systems of Scarborough, Ontario received the EDC Smaller Exporter Achievement; and Nortel's (Northern Telecom Limited) Belleville, Ontario location received the Bell Canada Innovation and Technology Achievement. Other winners of non-branded Canada Export Awards were Blitz Design Corp., Hummingbird Communications Ltd., TESCO Corporation, McCain International Inc., CINAR Films Inc., Image Processing Systems and Innova Technologies Corporation.

Winning the Canada Export Award translates into concrete benefits according to winners, who said in a recent poll that it has helped them promote their products and services to potential customers. Winning firms are featured in nationwide promotions that highlight their success and encourage others to emulate their performance as exporters.

Applications for the Canada Export Awards are reviewed by a selection committee comprising Canadian business leaders. Eligible companies must be based in Canada and have actively exported for at least three years. In selecting the winners, the committee considers a company's performance in: introducing new products and services into world markets; significantly increasing export sales; holding markets in the face of strong competition; attaining a high level of Canadian content; and achieving a high ratio of export sales to total sales.

The application process for the 1998 Canada Export Award program is already under way. For more information, contact: Beverly Hexter, Canada Export Award Program, Department of Foreign Affairs and International Trade, Tel.: (613) 996-2274 or Fax: (613) 996-8688.

Lyne Hébert

Export growth to continue in 1998

According to EDC's 1998 Export Forecast, Canadian exports will increase five per cent in 1998, and grow at an average rate of about seven per cent annually until 2002. "Canadian exporters continue to expand their sales abroad but they are facing substantial competition in world markets," says EDC Chief Economist Jim Olts. "They must continue to focus on productivity performance if they want to stay in the game."

Exports account for 40 per cent of Canada's output and are a key factor driving economic growth, job creation and prosperity. One in every three Canadian jobs is tied to exports.

Export growth will be strong in the telecommunications, aerospace and textile industries, due in large part to technological innovation, very competitive productivity factors and a reputation for delivering high quality products and services.

"Overseas markets have become more competitive for Canadian exporters due in part to an appreciation of our dollar against all major currencies, with the exception of the U.S. dollar and British pound," says Olts. "This currency appreciation has placed Canadian exporters at a price disadvantage when they come head to head against Japanese and key European competitors.

"While there are many trade opportunities abroad for Canadian business, there are also risks," warns Olts. "This is especially true in emerging markets where Canadian goods and services are in demand. Exporters need to pay particular attention to these risks and ensure that they are managed prudently."

For more information, visit EDC's Web site at http://www.edc.ca

Rod Giles

Breaking new ground in India

EDC provided its first-ever private sector loan to India, supporting the sale of industrial equipment by Belleville-based Svedala Industries for up to US$12.5 million in financing. Completed in the fall of 1997, the transaction took just four months from start to finish, reflecting a significant improvement in the time needed to secure approvals within the private sector. The equipment will be used by Jindal Vijayanagar Steel Ltd. to construct an integrated steel mill.

According to June Domokos, EDC's Vice-President, Asia, Africa and Middle East, "There is a huge potential for industrial equipment supply to India, particularly to the steel and power sectors. We are actively considering a number of transactions in other key sectors such as oil and gas, mining, pulp and paper, and telecommunications — areas in which India's needs and Canadian exporter capabilities are well matched."

Fraser Cedar adds value to "shakes and shingles"

This Montreal-based company started as a wholesaler of cedar shingles and wood lathe. A buoyant U.S. export market convinced Don Fraser to try his hand at manufacturing.

Cedar shingles, which turn a delightful silver-grey colour as they age, have long been a familiar sight in Atlantic Canada and the north eastern United States, particularly in coastal areas. Bylaws in many Massachusetts towns, for example, require that the side of a building facing the shore be clad in cedar shingles.

But as Don Fraser, President and co-owner of Fraser Cedar discovered, customers in the southern United States did not share the predilection of Maritimers and New Englanders for weathered-grey shingles. "They want coloured shingles, so home and building owners often stain them once they're installed," explains Fraser. "But if they're stained after they're nailed up, the problem is that only part of the shingle is covered."

As the company expanded its U.S. customer base, Fraser saw an opportunity to add value by pre-staining the entire shingle, front and back. Fraser Cedar does this work at a drying and staining facility it opened in 1997 in Edmundston, New Brunswick.

The "Eastern White" cedar shingles, purchased from local mills, are placed in a dry kiln until the interior humidity level of the cedar is reduced to about 13 per cent. Coloured stain is applied using a "flow coating" process, then the shingles are dried, boxed and shipped.

"The product is selling well in the middle- and high-end housing market, and we will add employees if the market remains strong," says Fraser.

Wholesaling expertise

Fraser founded the company in 1990 and, from the start, sold over 90 per cent of his product in the United States. As a wholesaler, the company specialized in buying and reselling cedar shingles, wood lathe and wood-strip fencing.

Wholesalers serving this market sector typically purchase a truckload of one product type from a mill, then deliver it to one or more customers. Fraser Cedar gained a competitive advantage by reloading its trucks with different product types. By shipping a mixed load to several customers in, for example, Boston, the company can offer the same service as local warehousing firms, which are usually the ones delivering mixed loads.

Speed is critical. Fraser Cedar collects products from local mills and quickly resorts them at its Reload Centre in Edmundston. "Mixing, matching and re-shipping our products, often overnight, lets us serve a far wider range of customers," says Fraser.

Export assurance with EDC

Fraser Cedar began insuring its receivables with EDC in 1993. "As our business grew, we didn't know our new customers as well and so we felt the need for insurance," says Fraser. "The margins in our business are only a couple of per cent. It's hard to make a nickel in wholesaling, and I'd sure hate to lose one."

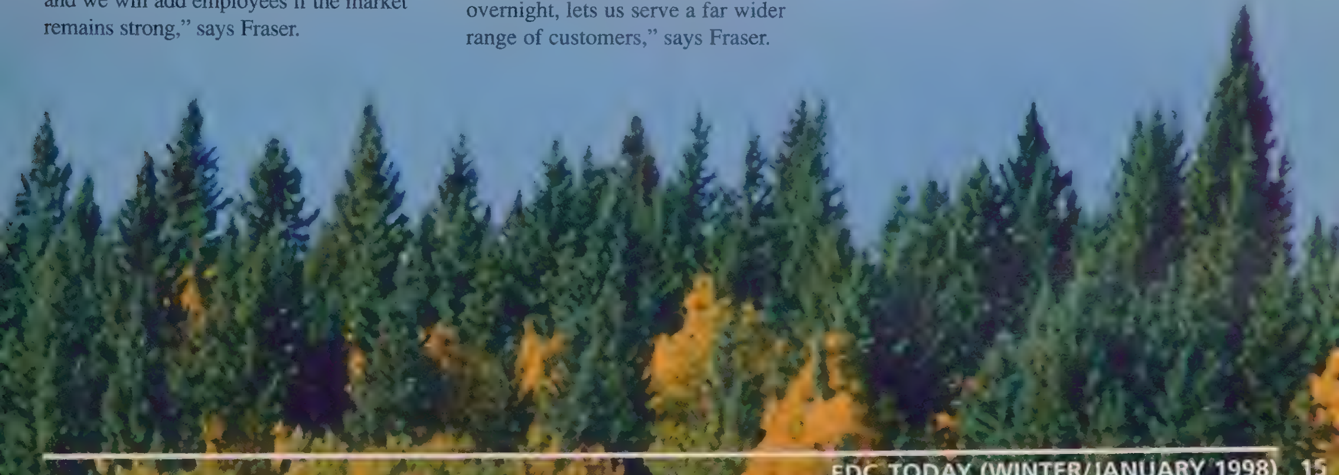
Fraser Cedar filed its first claim with EDC after Kansas City-based Payless Cashway, a chain of building supply stores, filed for bankruptcy protection in July 1997.

"We had $15,000 in receivables outstanding, and I received a cheque from EDC for 90 per cent of that amount, at about the same time as the 30-day term came due — before the bank even knew we had a bad debt," says Fraser. "Stephanie Thibodeau of EDC's Forestry Team also suggested several other steps we should take to cover ourselves."

EDC's reorganization into sector teams has resulted in fast, knowledgeable service, adds Fraser. "The team representatives know our customers and what's happening in our business. EDC has also simplified and sped up the process for customer credit requests, and this is a big help."

Indeed, as Fraser Cedar expands its reach into the marketplace, Fraser says he'll take EDC with him.

Michael Salter



Converting sales leads into export business

Peterborough Paper Converters Inc. is achieving global success by taking an aggressive approach to exporting, developing niche markets and relying on EDC's export credit insurance.

Surviving a near-death situation can give one a new lease on life. Such was the case for Peterborough Paper Converters Inc. (PPC), a specialty coaters and laminators company that serves international packaging and print communication markets.

In 1984, the Canadian directors of Nashua Canada Limited formed PPC, buying out some of the paper converting machinery and business from Nashua. Since the management buyout, the company has been thriving, says PPC President and CEO Robert Jameson.

"In the same year that PPC was formed, we took a much more aggressive approach to exporting than Nashua had," says Jameson. "That's been a key factor behind our success."

PPC's technical expertise lies in the application of various coatings and laminations to substrates including paper, film and foil. The major product in the company's Graphic Products Division is dry gum label paper, which is sold to business-form houses and fine-paper merchants who resell to commercial printers. The other major product line in this division is paper and film laminated products, which are sold principally to security tag and ticket manufacturers.

In PPC's Tape Division, the major product is reinforced gummed tapes used in the box-making and shipping industries. The 90-person company also manufactures and sells EDP computer and laser/copier labels.

"We are the largest independent specialty converting operation of our type in Canada," says Vice-President, Finance Blair Nixon. "PPC has always been able to find niche markets of specialty products where we can collaborate with our customers to develop a product that will fit their specific needs. We've become very flexible in terms of coating and laminating various substances."

About 38 per cent of PPC's sales are to export markets, and about 20 per cent of its export sales are destined for the United States. The balance of the company's exports goes to markets in Europe, South Africa, the Pacific Rim, New Zealand and Australia.

In addition to developing niche markets, another key to PPC's success has been maintaining direct personal contact with buyers and potential buyers, and having overseas agents.

Relying on EDC for export credit insurance has also helped PPC succeed internationally, says Nixon. The company has had an EDC Global Comprehensive Policy for Shipping since 1992, for two reasons. First, because PPC's bank wanted the company to insure its receivables so that it could borrow against those receivables. And second, because it became obvious that to grow its overseas business, PPC had to be able to offer buyers the same terms they could achieve from local suppliers.

"By having EDC insurance, we were able to approach some customers we could not have otherwise approached, and offer them extended credit terms," says Nixon. "We were able to meet the competition head on and grow the business."

Nixon points out that PPC's experience with EDC has been overwhelmingly positive. "EDC's turnaround time is terrific," he says. "Also, EDC has been very useful in gathering customer data for us.

"EDC's collections experience has also helped us," Nixon adds. "We had one incidence where we found out that the customer was headed for financial trouble. We contacted EDC, who put us in touch with a lawyer in the customer's country, helping us act ahead of time to avoid a financial loss. I don't think things would have gone as easily or quickly without EDC's help.

"Our partnership with EDC has been very beneficial," he says. "I'd certainly recommend EDC to anyone thinking of getting into the export business."

Lynn Gauker

Western Europe

A decade ago, Canadian businesses had a relatively smooth ride exporting to the developed countries in Western Europe. Today, the shifts and restructuring of the economic terrain are causing some sizable potholes. EDC products, particularly short-term insurance, are helping exporters over the rough patches.

"The risk in Western Europe is much higher than it was five or 10 years ago," says Kevin Harris, Team Leader for EDC's Base and Semi-Manufactured Goods Team and short-term insurance specialist. Bankruptcies are on the rise in many Western European countries, and EDC claims are up in markets such as Germany and France where formerly there were few problems," he adds.

EDC economist Bryan Gormley agrees with Harris. "The marketplace in general has become more difficult," says Gormley. "While there are definitely places to make sales, sectors such as machinery, equipment and forestry products are sliding."

In many of the larger economies, consumer confidence is fairly low because of larger unemployment numbers and increasing taxes. Germany, France and Italy are all grappling with a sizable list of economic problems that include issues such as deficit and debt, high wage rates and a lack of global competitiveness. And while they are all making some progress, recovery has been slow.

One exception in the region is the United Kingdom. With its decent fiscal position and strong domestic activity, it stands out as the darling of the Western European crowd, says Gormley. In the past few years, it has been continually outperforming its neighbours and showing increasing economic strength. "For the U.K., overheating is more of a problem than underperforming," says Gormley.

EMU activities setting economic stage

A main contributor to the flux and painful restructuring is the economic requirements of the Economic Monetary Union (EMU). Anxious to jump on board with the common currency called the euro, most Western European countries have been struggling to get their economic houses in order by the end of 1997. "The current setup with every country having its own currency has been an expensive administrative nightmare," says Gormley. Still, the curative measures have been difficult and the associated constraints are limiting economic revival.

"Right now is the cutoff. Countries must have their inflation rate, deficit and debt reduced, and have their currencies in line, in order to be included," explains Gormley. "Most have found it tough trying to meet the stringent economic criteria, and will not know whether they've succeeded for another year or so."

These discussions and efforts have set the economic stage in Western Europe. "In general the mood is cautiously optimistic," says Gormley. "Because it is still uncertain which countries will be invited to join the EMU, the prevailing attitude is let's wait and see what happens."

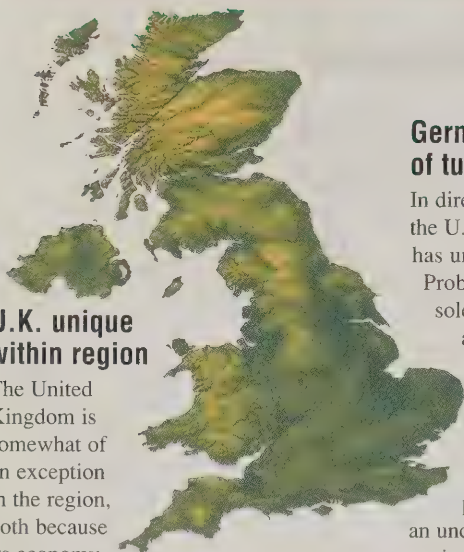
EDC products help reduce customer risk

Despite the difficulties, Western Europe is still a land of opportunity when exporters do their homework and approach the market with caution. It ranks as EDC's second largest market, behind North America, accounting for more than $2.76 billion in business volumes in 1996. "Exporters can still do business but, with the current difficulties, they should not expect to just show up and sell," says Gormley.

EDC has helped smooth the way for Canadian exporters, primarily through short-term insurance, which protects receivables against the risk of non-payment resulting from political and commercial risks, such as buyer default or insolvency. Some exporters also rely on EDC's medium-term insurance, including contract and bonding products, or financing solutions tailored to the needs of the exporter and buyer on a specific deal.

In addition to the support it provides through its products, EDC offers intelligence services which include market, financial and credit information on countries. Also, EDC's sector-specific business teams are familiar with the pitfalls and opportunities within key sectors.

EDC's forestry customers accounted for more than half of its sales to Western Europe in 1996, or more than $1 billion, followed by information technologies and base and semi-manufactured goods, each of which accounted for nearly a half billion dollars in business volumes. consumer goods and transportation also represented significant customer sales.



U.K. unique within region

The United Kingdom is somewhat of an exception in the region, both because its economy is in better shape, and because it has avoided the EMU exercise so far, primarily because the U.K. government intends to retain its own currency.

In general the news in the U.K. is very good, says Gormley. GDP growth is expected to be about three per cent for 1997 and unemployment has dropped to a six-year low, hovering around the seven per cent mark.

In addition, stable wage growth and bonuses have increased consumer spending in the U.K. — an asset for Canadians exporting consumer goods and agri-food products.

However, the picture is not completely rosy. Export growth in the U.K. has been limited recently by the strong currency and weak economic performance of some of its trading partners, as well as the need to avoid overheating of the economy.

In 1996, major Canadian exports to the U.K. included nickel, mechanical machinery, paper products, electrical machinery, wood pulp, iron ores, copper, lumber, aircraft and parts, and precious gems.

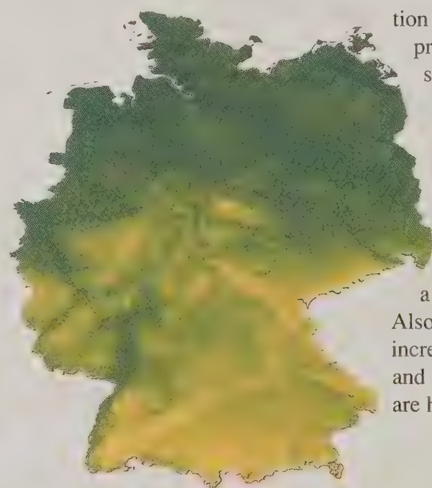
Germany in process of turnaround

In direct contrast to the glowing picture in the U.K. are the difficulties that Germany has undergone in the past few years. Problems that used to be associated solely with the former East Germany are now country wide, as the country is now unified.

Sluggish economic conditions, high wages, an increase in business failures and rising unemployment numbers have plagued Germany, making it an uncertain and difficult business environment.

Nevertheless, the country is taking measures to restore the economy to good health and, according to Gormley, has had a small measure of success. While progress has been slow, the government has done some restructuring designed to make Germany more globally competitive, such as dismantling the country's expensive social support system.

On a positive note, the value of the deutsch mark (DM) has declined, causing German export business to pick up and the economy to begin to show some signs of life. The related improvement in investment activity promises to support increasing exports of capital equipment.



In general, Canadian exports to Germany have slipped in the past two years because of the depreciation of the currency, weakened domestic demand and declining prices for exports such as wood pulp and some paper products.

In 1996, main exports to Germany included wood pulp, machinery and appliances, aircraft and parts, iron ores, precious metals and gems, followed by electrical machinery, paper and wood products, automobiles and parts, and oil seeds.

France on upward swing

Like Germany, France is slowly improving in the face of many economic struggles. Nevertheless, government measures to reduce a relatively high deficit level are causing unrest in the country.

France's unemployment rate has been a major problem in the past five years. Currently, it is about 12 per cent compared to Canada's nine per cent. "With a population of 60 million, that takes a fair chunk out of the economy," says Gormley.

In addition, the banking and financial industry is weak and in need of reform to meet the demands of the EMU, while airlines and automakers are struggling to make themselves more competitive.

For Canadian businesses, the situation in France has translated into payment problems. Business failure rates are up significantly in France, and smaller companies have been hardest hit. However, this situation is expected to resolve itself as the economy improves.

Currently, the French economy is almost solely supported by strong growth in exports and a recovery in investment spending. Also, a decrease in the value of the franc, increasing trade within Western Europe and a slight rise in consumer spending are helping buoy the strained economy.

Some large French corporations have benefited from recent improvements, which may yield opportunities for Canadian businesses because they will be in the market to modernize and upgrade equipment. In 1996, Canadian exports to France actually decreased by about 12.7 per cent from the previous year — particularly in pulp and aircraft.

Canada's main transactions in France in 1996 were in the areas of aircraft and parts, machinery and parts, wood pulp, paper, electrical machinery, optical equipment, lumber, iron ores, crustaceans and mineral products.

Future opportunities are expected in areas such as capital goods and construction materials, given the forecast renewal in residential construction activity.

Severe belt-tightening in Italy

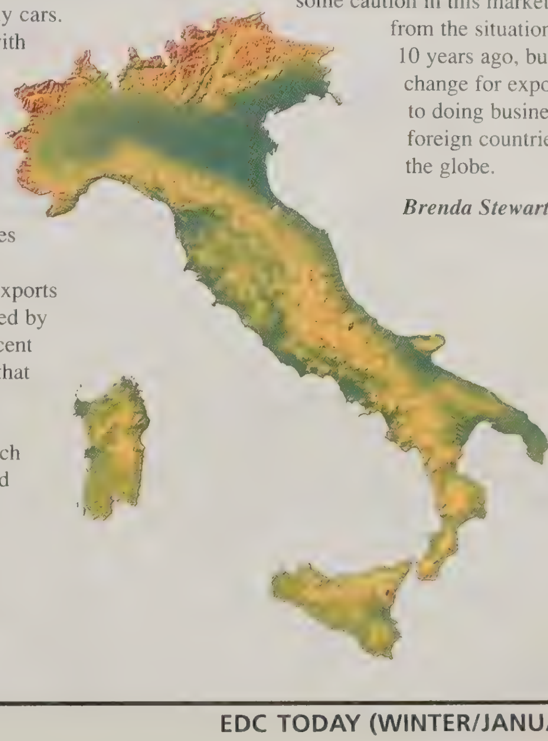
While Italy escaped a recession in 1996, its rather prolific spending habits appear to be catching up with it. In addition, the country is dealing with a decline in corporate profits, and increasing business failures (11 per cent in 1996), particularly in the construction sector.

In order to turn the economy around, Italy has undertaken severe tightening of fiscal policies and radical spending cuts. Like many of its neighbours, it has been trying with great difficulty to pull everything in line to meet EMU requirements, says Gormley. Unfortunately, its fiscal austerity measures and increased taxation, coupled with unemployment figures of almost 12 per cent, are threatening to dampen household spending.

As a result, Italy has instituted some proactive measures such as incentive programs to buy cars. The problem with such programs is that they "borrow from the future" and detract from future activity, observes Gormley.

Canadian exports to Italy decreased by about 26.5 per cent in 1996. Areas that took a beating included key commodities such as iron, steel and copper, as well as aircraft, pulp and lumber. Wood pulp remained the largest export, constituting 30 per cent of Canada's total exports to Italy. Iron ore, cereals, lumber, machinery and parts, mineral fuels and oils, paper, electrical machinery, aircraft and parts, and vegetables followed at much lower percentages.

Even in the face of its severe problems, economic recovery is under way in Italy and economists are expecting profits to improve by 1998. As with many of its neighbours, forecasters say that recovery in Italy will depend on increased export activity and improvements in private investment.

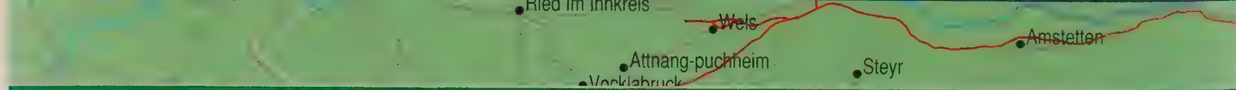


Many see a bright light at the end of the tunnel

"Overall, at the end of the turmoil and the restructuring we could see more efficient Western European economies with some very good looking prospects," says Gormley. However, most of the major economies are not there yet.

Canadian exporters need to exercise some caution in this market — a change from the situation five or 10 years ago, but not a change for exporters used to doing business with foreign countries around the globe.

Brenda Stewart



Eastern Europe

"Knowledge is power" when dealing with the notoriously unpredictable markets within Eastern Europe. EDC is providing exporters with a good deal of that critical knowledge, as well as tailored financing and insurance solutions.

"Markets that are new to Canadian exporters can prove tricky," says Mike Craig, regional manager in EDC's International Markets group. "It's worth knowing ahead of time that the challenges are often as great as the opportunities."

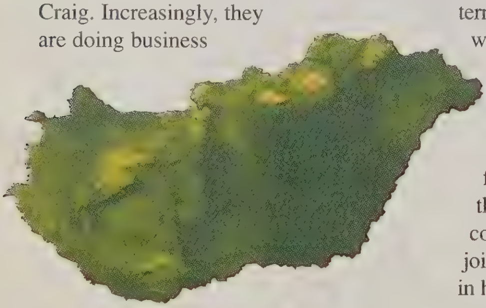
Overall, Eastern Europe is an untamed environment. Markets are unpredictable, dynamic and complex. There are few laws and regulations or accounting standards upon which exporters can rely.

Adding to the uncertainty is the increasing privatization, which in turn casts doubt on the commitment of the governments. Sometimes, different factions are at war within a given country. "Situations can change in a matter of days," says Craig. Ironically, as countries shift to market economies, the increasing degree of privatization creates opportunities for Canadian exporters.

Know your market

"Given the state of flux in Eastern Europe, exporters need to understand the market and have an extensive network of contacts in the country to succeed," says Craig. "Every country is at a different stage and holds a different position on the spectrum of risk — and even those variables can change."

With proper preparation and caution, Canadians have chalked up some significant success stories, says Craig. Increasingly, they are doing business with the private sector. "But it is important to know with whom you are doing business and to choose the people wisely," he adds.



Once the deal is on the burner, EDC can lend some support with products, guidance and information that help secure the transaction. Financing and foreign investment insurance are common needs for Canadians selling to Eastern Europe, accounting for $147 million and $131 million in EDC business volume in 1996. Exporters are also taking advantage of contract bonding, performance guarantees and short-term insurance to protect receivables against non-payment.

To help exporters get a more solid footing in the constantly moving markets within Eastern Europe, EDC can also provide information that will help exporters understand and manage the risks. EDC representatives do on-site assessments within these markets, and offer an extensive network of resources that includes international contacts in the banking and financial communities.

Wide spectrum of countries, risks

Topping the list of "developed" nations in Eastern Europe are countries such as the Czech Republic, Hungary and Poland.

"In terms of insurance, they are actually wide open for coverage" says Kevin Harris, Team Leader for EDC's Base and Semi-Manufactured Goods Team and short-term insurance specialist. "However, it is worth noting that EDC is not insuring a lot of volume in these countries — and that could mean Canadian exporters are missing out on a lot of opportunities."

Poland is one of Eastern Europe's fastest growing economies and a country that in recent years has become very commercial. It offers investment and joint venture opportunities and openings in housing, roads and telecommunications.

Further down the spectrum are markets such as Romania which offer great potential but more risk. "Exporters definitely have to pick their spots in this type of country," says Craig.

"Lately we have had many inquiries about Russia and Turkey. Both are difficult and risky markets, but they also offer tremendous potential in sectors such as oil and gas, and telecommunications.

Canadians have also been quite interested in the Ukraine, says Craig, because of its cultural and historical ties with Canada. The opportunities there are largely agricultural.

"At EDC, we can do business virtually anywhere, but in riskier markets the criteria are tighter," says Craig. "In Eastern Europe particularly, every situation is different. For financing we're often tailoring solutions to suit the circumstances and often it's something we've never done before."

Czech Republic progressing

While there are still many questions that require answers, the Czech Republic is considered to be "almost" developed, and is viewed internationally as a key European country. Canadians are exporting to the Czech Republic to the tune of about $60 million a year.

The largest potential for Canadian exporters exists in technology-driven industries, environmental/pollution control and power — all areas which are high priority for the country's government. Medical equipment is another promising sector.

The country's skilled workforce, location and industrial capacity are drawing many large Canadian IT companies in particular. This, in turn, will probably create opportunity for sub-supply, says Craig.

In addition, real estate development and construction are expected to increase, as is transportation, particularly in rail and roads.

While the potential is impressive, the task of doing business in the Czech Republic can be a challenge.

Legislation, labour and wage practices often make doing business difficult or create blockades to doing business at all, says Craig. According to EDC economist Jean-Louis Renaud, "Problems are arising from high growth and the fact that the government has done insufficient structural reform. As a result its external competitiveness is slipping."

While the country has experienced good economic growth, inflation has been high, at about eight to 10 per cent a year.

Slowing export growth is the fact that the currency, the Koruny, was pegged to the deutsch mark and thus became overvalued. "As a result, Czech products became more expensive," says Renaud. "The country then spent billions defending its currency against speculative attack and lost. The lower Czech currency has resulted in higher prices for imported goods and services and, in turn, increased Czech commercial credit risk."

Hungary showing a new face

Hungary offers several advantages in terms of its market reforms, according to Renaud.

Although Hungary indulged in massive overspending a few years ago, accumulating foreign loans as a result, the country has since been able to reassure foreign investors that it is back on track, with the support of the International Monetary Fund (IMF).

"Things have been going very well," says Renaud. "Hungary's macro-balances are under control and domestic demand is no longer fueled by fiscal pump priming." Inflation, which reached almost 30 per cent in 1995, is falling and the current account deficit is sustainable.

"While Hungary might not be the darling of Eastern Europe, it is one of the better performers. It has been invited into NATO and the European Union. EDC would like to do a lot more business there than we do," says Renaud.

The most promising sectors for Canadian exporters in Hungary are housing, telecommunications and power.

Romania: an emerging economy?

Historically one of the top-tier countries in old Europe, Romania is currently quite high on the risk scale.

Heavy election spending in 1996 nearly caused Romania's economy to collapse. "The government is realizing this is its last chance to join the developed countries of Europe, and it is madly pursuing massive reforms in the short term to try to jump aboard," observes Renaud. He adds that Romania's structural reform program is supported by an IMF Stand-By Agreement.

"Beginning in December 1996, Romania implemented a comprehensive program of economic reforms," says Renaud.

Fortunately, there is large popular support for the reforms, he adds. However, the government has so far been hard pressed to demonstrate tangible benefits.

Monthly inflation spiked in early 1997 as a result of reforms, but since then has abated.

Domestic prices rose because of liberalization as well as removal of government price subsidies. In addition, the massive transition from state to privately owned enterprise is causing high unemployment, which the government has provisioned for in the form of increased unemployment insurance.

"So far, it looks as if the path of reform will continue — barring unforeseen catastrophes. If it manages to stay the course, it could be one of Europe's emerging economies," says Renaud. "But it's worth remembering that Romania is still three or four years behind its Northern neighbours and currently remains one of Eastern Europe's riskier countries."

Some promising potential for Canadian companies exists in the engineering and professional services sector. There is also activity in the agricultural equipment, information technologies, transportation and power equipment sectors.

Turkey has yet to realize potential

Turkey has immense potential but, like Romania, measures high on the risk scale. The country has a large, diversified economy, low labour costs and a relatively sophisticated technological base. It also boasts some well-managed private conglomerates that have become large enough to compete globally.

But the picture is less than rosy on the economic and financial side. The high public sector total debt, plus the massive foreign exchange risk, a low savings rate and no track record of fiscal restraint, has created an environment of considerable risk.

The problems are exacerbated by ongoing expensive military operations in Kuudistan, the threat of a terrorist backlash and political uncertainty.

However, the country offers plenty of potential for companies offering engineering and professional services because of its gas, power and airport projects. There are also openings for industrial equipment and transportation — particularly air since the industry has recently been deregulated.

Turkey's potential for information technologies is big because of its high rate of digitalization and strong satellite capacity. Its unique geographical placement positions it to become the leading telecommunications operator in the region.

As with all the East European markets, the watchword is do the homework. "Be cautious, be prepared, and some of these markets can offer tremendous potential for success," says Craig.

Brenda Stewart

United Kingdom at a glance

Population: 58.1 million

GDP per capita: US$18,411

GDP growth: 3 per cent
(estimate for 1997)

Inflation: 3 per cent

Canadian exports (1996): Cdn$3.8 billion

Canada's market share: 1 per cent

Current account balance: US$2.4 billion

Reserves (months of imports):
irrelevant for G-7 Countries

EDC's position:

Short term – Good experience.
Open without restrictions.

Medium/long term – Open.

Foreign Investment Insurance – Open.

Canadian opportunities: Consumer goods and agri-food products.

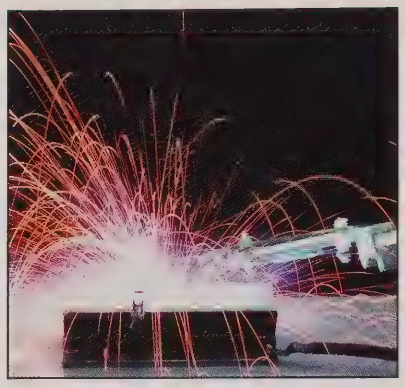
Who to contact:

Canadian Embassy in the United Kingdom
Mr. Tom MacDonald
Minister
(Commercial/Economic)
Tel.: (011-44-171) 258-6600
Fax: (011-44-171) 258-6384; 258-6322

DFAIT
Walter Hughes, Trade Relations Officer
Tel.: (613) 995-9766
Fax: (613) 995-6319

EDC
To reach the appropriate business team, call the EDC regional office nearest you (see listing, inside back cover).

Germany at a glance



Population: 81.1 million

GDP per capita: US$25,578

GDP growth: 1.9 per cent
(estimate for 1997)

Inflation: 1.7 per cent

Canadian exports (1996): Cdn$3.15 billion

Canada's market share: 0.5 per cent

Current account balance: US$-21.7 billion

Reserves (months of imports):
irrelevant for G-7 Countries

EDC's position:

Short term – Good experience.
Open without restrictions.

Medium/long term – Open.

Foreign Investment Insurance – Open.

Canadian opportunities: Capital equipment.

Who to contact:

Canadian Embassy in Germany
Mr. Donald C. Butler
Counsellor (Commercial)
Tel.: (011-49-228) 968-0
Fax: (011-49-228) 968-3900

DFAIT
André Landry, Trade Relations Officer
Tel.: (613) 943-0611
Fax: (613) 995-8756

EDC
To reach the appropriate business team, call the EDC regional office nearest you (see listing, inside back cover).

France at a glance

Population: 57.7 million

GDP per capita: US$23,474

GDP growth: 2.3 per cent
(estimate for 1997)

Inflation: 2 per cent

Canadian exports (1996): Cdn$1.7 billion

Canada's market share: 0.44 per cent

Current account balance: US$8.1 billion

Reserves (months of imports):
irrelevant for G-7 Countries

EDC's position:

Short term – Good experience.
Open without restrictions.

Medium/long term – Open.

Foreign Investment Insurance – Open.

Canadian opportunities: Capital goods and construction materials.

Who to contact:

Canadian Embassy in France
Mr. Bertin Côté
Minister-Counsellor
(Economic/Commercial)
Tel.: (011-33) 144-43-29-00
Fax: (011-33) 144-43-29-98

DFAIT
Robert Richard, Trade Relations Officer
Tel.: (613) 995-5172
Fax: (613) 995-5772

EDC
To reach the appropriate business team, call the EDC regional office nearest you (see listing, inside back cover).

Czech Republic at a glance

Population: 10.3 million (1996)

GDP per capita: US$4,420

GDP growth: 4.5 per cent (1996); 3.0 per cent (1997)

Inflation: 9.0 per cent (1996); 8.5 per cent (1997)

Canadian exports: $65 million (1996)

Canada's market share: 0.2 per cent

Current account balance: US-$4.6 billion (1996); US-$4.4 billion (1997)

Reserves (months of imports): 4.2 months (1996); 4.4 months (1997)

EDC's position:

Short term – Good experience. Open.

Medium/long term – Good experience. Open subject to country guideline.

Foreign Investment Insurance – Open on a case-by-case basis.

Canadian opportunities: Technology-driven sectors, particularly pollution control.

Who to contact:

Canadian Embassy in the Czech Republic
Valerie Smith (Prague)
Tel.: 011-420-2-431-1108/1109
Fax: 011-420-2-431-0294

CIDA (INC)
Dianne Masson-Yensen, Senior Project Officer
Tel.: (613) 994-7418
Fax: (613) 994-5950

DFAIT
Dan Mrkich, Trade Commissioner
Tel.: (613) 992-1449
Fax: (613) 995-8783

EDC
To reach the appropriate business team, call the EDC regional office nearest you (see listing, inside back cover), or contact an EDC Regional Manager for Czech Republic: Dennis Goresky, tel. (613) 597-8617 or Lorne Cutler, tel. (613) 598-2745.

Hungary at a glance

Population: 10.3 million (1996)

GDP per capita: US$4,300

GDP growth: 1.0 per cent (1996); 3.0 per cent (1997)

Inflation: 20 per cent (1996); 17 per cent (1997)

Canadian exports: $40.4 million (1996)

Canada's market share: 0.2 per cent (1996)

Current account balance: US-$1.7 billion (1996); US-$1.7 billion (1997)

Reserves (months of imports): 7 months (1996); 5.6 months (1997)

EDC's position:

Short term – Limited experience but good; Open-ILC preferred.

Medium/long term – Good experience. Open subject to overall exposure guideline.

Foreign Investment Insurance – Open on a case-by-case basis.

Canadian opportunities: Residential and commercial telecommunications, construction, power and agriculture.

Who to contact:

Canadian Embassy in Hungary
Gib McEwen (Budapest)
Tel.: 011-361-275-1200
Fax: 011-361-275-1210

CIDA (INC)
Mr. Murray Town, Project Officer
Tel.: (613) 994-7674
Fax: (613) 994-5950

DFAIT
Dan Mrkich, Trade Commissioner
Tel.: (613) 992-1449
Fax: (613) 995-8783

EDC
To reach the appropriate business team, call the EDC regional office nearest you (see listing, inside back cover), or contact an EDC Regional Manager for Hungary: Dennis Goresky, tel. (613) 597-8617 or Lorne Cutler, tel. (613) 598-2745.

Romania at a glance

Population: 23 million (1996)

GDP per capita: US$1,545 (1996)

GDP growth: 4.1 per cent (1996); -1.5 per cent (1997)

Inflation: 40 per cent (1996); 150 per cent (1997)

Canadian exports: $96 million (1996)

Canada's market share: 0.7 per cent

Current account balance: US$2.6 billion (1996); US$1.4 billion (1997)

Reserves (months of imports): 2.4 (1996); 4.2 (1997)

EDC's position:

Short term – Open on a case-by-case basis.

Medium/long term – Open on a case-by-case basis.

Foreign Investment Insurance – Open on a case-by-case basis.

Canadian opportunities: Power, transportation equipment and agricultural equipment.

Who to contact:

Canadian Embassy in Romania
Octavian Bonea/M.R. Vlad (Bucharest)
Tel.: 011-401-222-9845
Fax: 011-401-312-0366

CIDA (INC)
Lisanne Garceau-Bednar, Project Officer
Tel.: (613) 994-4912
Fax: (613) 994-5950

DFAIT
Leslie Thomas Reissner, Trade Commissioner
Tel.: (613) 944-1562
Fax: (613) 995-8783

EDC
To reach the appropriate business team, call the EDC regional office nearest you (see listing, inside back cover), or contact an EDC Regional Manager for Romania: Dennis Goresky, tel. (613) 597-8617 or Lorne Cutler, tel. (613) 598-2745.

Lines of credit and other export financing

EDC has many types of export financing facilities to simplify the purchase of Canadian goods and services by buyers in export markets.

These facilities fall into two broad categories: supplier credit financing and buyer credit financing.

One example of supplier credit financing is a note purchase agreement. Under such an agreement, EDC purchases from an exporter a series of promissory notes issued by a foreign buyer to the exporter upon the sale of goods or services.

Buyer credit financing includes direct loans and lines of credit. Direct loans are a financing arrangement between EDC and a buyer, or a borrower on behalf of a buyer, for a predetermined transaction. Loans usually involve large transactions with long repayment terms.

Lines of credit are a streamlined form of financing in which EDC lends money to a foreign bank, institution or purchaser, which then onlends the necessary funds to foreign purchasers of Canadian goods and services. Interest rates, repayment terms and other details are prearranged between EDC and the foreign borrower, which speeds up turnaround time. Transactions supported under lines of credit are usually valued at between US$50,000 and US$5 million. EDC currently has 43 lines of credit, providing one form of access to export financing for buyers in some 23 countries.

Listed below are the details and contacts for the lines of credit which exporters have found most useful.

It is important to note that:

- **EDC's financing and insurance services extend beyond countries in which EDC has established lines of credit.**
- **These lines of credit are one of several ways in which EDC will do business in these markets.**
- **If you are thinking about exporting but have never used one of EDC's lines of credit, it is wise to contact EDC as early as possible.**

For more information on how EDC export financing can help you close a deal abroad, contact the regional office nearest you. (Refer to the contact list on the inside back cover.)

CATEGORIES

Overseas Area Code = 011
1) Borrower
2) Signing amount
3) Repayment terms
4) Buyer's contact with borrower
5) Borrower's North American representative

Lines of credit

MEXICO, CENTRAL & SOUTH AMERICA

Andean Pact – Bolivia, Colombia, Ecuador, Peru and Venezuela

1) **Corporación Andina de Fomento (CAF)***
2) US$70 million
3) 10 years
4) Mr. Fernando Infante, Capital Markets Group
Tel.: 582-209-2283
Fax: 582-209-2329

Dr. Hernán Escudero M. (Bolivia)
Tel.: 591-243-1333
Fax: 591-243-2049

Ms. Liliana Canale (Colombia)
Tel.: 571-313-2311
Fax: 571-313-2787

Mr. Alfredo Solarte (Ecuador)
Tel.: 593-222-4080
Fax: 593-222-2107

Mr. Ernesto Aranibar Q. (Peru)
Tel.: 511-221-3566
Fax: 511-221-0968

Mr. Ricardo Ehrsam
Public Sector (Venezuela)
Econ. Blanca Olivo, Private Sector
Tel.: 582-209-2486/2379
Fax: 582-209-2433

Argentina

1) **Banco Francés**
2) US$10 million
3) 2, 3, 5 or 7 years
4) Mr. Fernando Sola, Regional Manager
North America and Asia Pacific
Tel.: 541-346-4326/4000 (ext. 1893)
Fax: 541-346-4337

1) **Bridas S.A.P.I.C.**
2) US$25 million
3) 3 to 8.5 years
4) Mr. Horacio P. Ferraro, Manager
Financing Department
Tel.: 541-310-4346/311-0111
Fax: 541-310-4367

1) **Industrias Metalúrgicas Pescarmona S.A.I.C. (IMPSA)**
2) US$15 million
3) 3 semi-annual installments
4/5) Mr. Claudio Troglia, Director of Purchasing (Pittsburgh)
Tel.: 412-344-7003 (ext. 21)
Fax: 412-344-7009

1) **Telecom Argentina Stet-France Telecom S.A.**
2) US$45.2 million
3) 3 to 8.5 years
4) Mr. Mario González, Manager
Ms. Christel Maulhardt, Analyst
Trade Finance Operations
Tel.: 541-968-3612/3614/3068
Fax: 541-312-9472

1) **Telefónica de Argentina S.A.**
2) US$50 million
3) 3 to 8.5 years
4) Mr. Raul Rolandi, Deputy Director
Financial Services
Tel.: 541-325-0190
Fax: 541-325-1920

1) **Total Austral S.A.**
2) US$25 million
3) 2 to 8.5 years
4) Mr. Alain Petitjean, Financial Controller
Tel.: 541-394-8167
Fax: 541-394-9318

1) **YPF, S.A.**
2) US$25 million
3) 2 to 8.5 years
4) Mr. Enrique Waterhouse
Ms. Dora E. Acosta Vásquez
Tel.: 541-329-5685
Fax: 541-329-5685

Argentina, Brazil, Colombia and Uruguay

1) **BankBoston**
2) US$25 million
3) 2 to 8 years
4) Mr. Julio Laffaye, Trade Finance Manager
International Services (Argentina)
Tel.: 541-346-2112
Fax: 541-346-3209/343-7303

Mr. Carlos Martins (Sao Paulo)
Tel.: 5-511-249-5622
Fax: 5-511-249-6430

Mr. Damián Donnelly (Bogotá)
Tel.: 571-313-3481
Fax: 571-313-3536

Mr. José Baniela (Montevideo)
Tel.: 598-296-0127
Fax: 598-296-2209

5) Mr. Hugo Owen, Vice President (Boston)
Tel.: 617-434-3107
Fax: 617-434-1188

Brazil

1) **Banco do Brasil**
2) US$25 million
3) up to 5 years
4) Mr. Augusto Brauna Prieto, Deputy Manager
Tel.: 5-511-3066-9040
Fax: 5-511-3066-9029

Ms. Elisete Suely Marques, Team Coordinator
Tel.: 5-511-3066-9066
Fax: 5-511-3066-9029

1) **Petrobrás**
2) US$15 million
3) up to 5 years
4) Mr. Carlos Alberto Massena Barbosa
Tel.: 5-521-534-1454/1457
Fax: 5-521-534-4278

1) **Unibanco – Uniâo de Bancos Brasileiros**
2) US$15 million
3) 2, 3, 4 or 5 years
4) Ms. Celina Porto, Ms. Silvia Nucci, Manager
International Relations
Ms. Patricia Urbano, Manager
Corresponding Banking
Tel.: 5-511-867-1684/4321/1900
Fax: 5-511-815-4484/814-0528/867-1689
5) Mr. Durval Araujo (New York)
Tel.: 212-207-9426
Fax: 212-754-4872

Mr. Marcos Pereira (Miami)
Tel.: 305-372-0100
Fax: 305-350-5622

Colombia

1) **Banco Cafetero**
2) US$10 million
3) up to 8 years
4) Mr. Carlos Gaona Cruz, Head
Special Lines Department
Tel.: 571-284-6603
Fax: 571-286-8893

EDC is prepared to provide its full range of financing programs to the following institutions in Colombia as specific transactions arise. Please call EDC for information on the appropriate contacts at the respective institutions:

BANKS
For large/small transactions: **Banco de Bogotá, Banco de Colombia, Banco Ganadero** and **Instituto de Fomento Industrial**
For smaller transactions: **Banco Comercial Antioqueño, Banco del Estado, Banco de Occidente, Banco Industrial Colombiano** and **Banco Unión Colombiano**

FINANCIAL CORPORATIONS
Corfinsura and **Corfivalle**

OIL AND GAS
Ecopetrol

Honduras, Costa Rica, El Salvador, Guatemala and Nicaragua

1) **Central American Bank for Economic Integration (CABEI)***
2) US$20 million
3) 5 years
4) Mr. Jorge Kawas
(Tegucigalpa, Honduras, Headquarters)
Tel.: 504-372-384-901
Fax: 504-370-090 or 793

Lic. Ronald Martínez Saborío (Costa Rica)
Tel.: 506-253-9394
Fax: 506-253-2161

Ing. Francisco José Ramírez Cuadra
(El Salvador)
Tel.: 503-224-0144
Fax: 503-224-1621

Lic. Jorge Marco Diaz Rosal (Guatemala)
Tel.: 502-332-6428
Fax: 502-332-6428

* CABEI has suspended new public-sector loans to the Government of Nicaragua. Call EDC's International Markets for details.

Ing. Roger Arteaga Cano (Nicaragua)
Tel.: 505-266-7097
Fax: 505-266-4125

Mexico

1) **Banca Serfin, S.A.**
2) US$20 million
3) 5 years
4) Mr. José Carrassó Arnaiz, Vice President
International Division
Tel.: 525-512-1009
Fax: 525-625-5613
5) Mrs. Paloma Healey
Tel.: 416-360-8900
Fax: 416-360-1760

1) **Bancomer, S.A.**
2) US$75 million
3) 5 years
4) Ms. Cecilia Sáenz y Sáenz, Vice-President
Import Financing
Tel.: 525-621-3861/3491
Fax: 525-621-4758

1) **Banco Nacional de Comercio Exterior, S.N.C. (Bancomext)**
2) US$90 million
3) 5 to 8 years
4) Ms. Rosa María Solís, Vice President
International Banking, North America
Tel.: 525-327-6051
Fax: 525-327-6076/6077
5) Mr. Marco Espinosa
Trade Commissioner of Mexico (Toronto)
Tel.: 416-867-9292
Fax: 416-867-1847

1) **Banco Nacional de México, S.A. (Banamex)**
2) US$125 million
3) 5 to 8 years
4) Mr. Gerardo Santos, Comercio Exterior
Tel.: 525-720-7065
Fax: 525-720-7314/7315

1) **Banco Nacional de Obras y Servicios Públicos, S.N.C. (Banobras)**
2) US$20 million
3) 5 to 8 years
4) Lic. Abelardo Bravo Herrera, Gerente
Operaciones Bancarias Internacionales
Tel.: 525-723-6000
Fax: 525-723-6235

1) **Comisión Federal de Electricidad (CFE)**
2) US$30 million
3) 5 to 8 years
4) Mr. Ranulfo Matus López
Credit Operations Department
Tel.: 525-286-6859
Fax: 525-286-1456

1) **Nacional Financiera, S.N.C. (Nafin)**
2) US$28 million
3) 5 to 8 years
4) Mr. Jorge Muñoz Cuevas, Manager
Bilateral Financing
Tel.: 525-325-7022/7023
Fax: 525-325-6496

1) **Petróleos Mexicanos (Pemex)**
2) US$14.6 million
3) 5 to 8 years
4) Lic. Guillermo Christy Vera
Associate Managing Director of Finance
Tel.: 525-250-6478
Fax: 525-254-1896

1) **Teléfonos de México, S.A. de C.V. (Telmex)**
2) US$35 million
3) 3 to 7 years
4) Mr. Gustavo León Méndez, Treasury
Tel.: 525-222-1153/1154
Fax: 525-203-5972

Peru

1) **Banco Wiese Ltdo.**
2) US$15 million
3) 2 to 5 years
4) Mr. Manuel Custodio Poemape/
Mr. Javier Román Vidal
Financing Intermediation Division
Tel.: 511-428-0505/426-6231
Fax: 511-426-9448/9414

Venezuela

1) **BARIVEN, S.A./Petróleos de Venezuela, S.A. (PDVSA)**
2) US$50 million
3) 2 to 8.5 years
4) Mr. Richard Maduro, Finance Manager
BARIVEN, S.A. (Caracas)
Tel.: 582-201-4761
Fax: 582-201-4605
5) Mr. John Gaspar, Trade Financial Analyst
PDVSA Services, Inc. (Houston, Texas)
Tel.: 281-588-6436
Fax: 281-588-6287

Lines of Credit

AFRICA & MIDDLE EAST

Algeria

1) **Banque Algérienne de Développement (BAD)**
2) US$100 million
3) 3 or 5 years
4) Mr. Sadek Alilat, Director
Tel.: 213-2-738-950
Fax: 213-2-748-025

1) **Sonatrach**
2) US$70 million
3) 3 or 5 years
4) Mr. Ahmed Mostefaoui, Director
Tel.: 213-2-607-000
Fax: 213-2-605-322

Ghana

1) **Ministry of Finance and Economic Planning**
2) US$20 million
3) up to 10 years
4) Mr. Emmanuel Darko, Director
International Economic Relations Division
Tel.: 233-21-665-920
Fax: 233-21-667-069
5) High Commission of Ghana to Canada in Ottawa
Tel.: 613-236-0871
Fax: 613-236-0874

Israel

1) **Bank Hapoalim B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Yona Rosenberg
Foreign Trade Department
Tel.: 972-3-567-3424
Fax: 972-3-567-4548

1) **Bank Leumi Le-Israel B.M.**
2) US$10 million
3) 3, 5 or 7 years
4) Ms. Liorah Tidhar, First Vice President
Trade & Project Finance
Tel.: 972-3-514-7373
Fax: 972-3-514-7865

1) **The Israel Electric Corporation**
2) US$19.5 million
3) 5 or 12 years
4) Ms. Ilana Blechner
Finance, Trade, Insurance Department
Tel.: 972-4-854-8272
Fax: 972-4-851-5597

1) **United Mizrahi Bank Limited**
2) US$10 million
3) 3, 5 or 7 years
4) Mr. Chana Chefer, Foreign Trade Department
Tel.: 972-3-567-9011
Fax: 972-3-567-9028

South Africa

1) **First National Bank of Southern Africa Limited**
2) US$25 million
3) 3 to 8.5 years
4) Mr. Steve Smith, Manager, Export Credits
Tel.: 011-371-6665
Fax: 011-371-7255

1) **Impofin (Pty) Limited**
2) US$15 million
3) up to 8.5 years
4) Mr. Leon Potgieter, Deputy General Manager
Industrial Development Corporation of South Africa Ltd.
Tel.: 011-269-3266
Fax: 011-269-3121

1) **Nedcor Bank Ltd.**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Yianni Puorovllis, Manager
International Finance Unit
Tel.: 011-630-7851
Fax: 011-630-7146

1) **The Standard Bank of South Africa Limited**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Gerald Nolan, Senior Manager
International Finance
Tel.: 011-636-5062
Fax: 011-636-3181

Tunisia

1) **Ministry of International Cooperation and Foreign Investment**
2) US equivalent of Cdn$100 million
3) up to 10 years
4) Mr. Abdelhamid Bouhawala
Tel.: 216-1-798-522
Fax: 216-1-799-069

EUROPE

Turkey

1) **Turk Eximbank**
Export Credit Bank of Turkey
2) US$50 million
3) 3 to 7 years
4) Mr. Bekir Bora, Deputy General Manager/
Mr. Ertan Tanriyakul, Finance Manager
Tel.: 312-417-1300
Fax: 312-425-2947

ASIA & PACIFIC

China, People's Republic of

1) **Bank of China**
2) US$200 million or its equivalent in Cdn. or other acceptable foreign currencies
3) up to 10 years
4) Mr. Xu Gang, Divisional Chief
Credit Business Department
Tel.: 86-10-6834-3312
Fax: 86-10-6834-2272
Telex: 22254/22289 BCHO CN

1) **Bank of Communications**
2) US$25 million
3) up to 10 years
4) Mr. Shi Fu Ling, Deputy General Manager
Forex Credit Department
Tel.: 86-216-275-1234/7255
Fax: 86-216-275-6224

1) **China Construction Bank**
(previously People's Construction Bank of China)
2) US$100 million
3) up to 10 years
4) Ms. Ying Chunzi, Manager
International Department
Tel.: 86-106-851-5276
Fax: 86-106-851-5285

India

1) **Export-Import Bank of India (Exim)**
2) US$10 million
3) up to 8.5 years
4) Mr. David Rasquinha, Manager
Export-Import Bank of India (Mumbai)
Tel.: 91-22-218-5272 (ext. 2404)
Fax: 91-22-218-8076
5) Mr. Anup K. Hiranandani
Resident Representative
(Washington, D.C.)
Tel.: 202-223-3238/3239
Fax: 202-785-8487

Indonesia

1) **Bank Umum Nasional (BUN)**
2) US$10 million
3) up to 7 years
4) Mr. Sri Kinarsih
Tel.: 62-21-231-2828
Fax: 62-21-231-2929

Contacts

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Fax: (902) 423-0881
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International Trade Centre
1045 Main Street
4th Floor, Unit 103
Moncton, New Brunswick
E1C 1H1
Tel.: (506) 851-6066
Fax: (506) 851-6406
CHARLES GAUDET
Business Development Manager

To call any one of EDC's regional offices toll-free:
1-888-332-3320

BUSINESS TEAMS

BASE AND SEMI-MANUFACTURED GOODS TEAM
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Team Leader
To contact a team member:
Tel.: (613) 598-2823
Fax: (613) 598-2525

CONSUMER GOODS TEAM
Jean Beaulieu
Team Leader
To contact a team member:
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Fax: (613) 598-2525

EMERGING EXPORTERS TEAM*
John Hutchison
Team Leader
To contact a team member:
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Fax: (613) 598-6871

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Leslie Goodfellow
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Fax: (613) 598-3055

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Catherine Hess
Team Leader
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Fax: (613) 598-2525

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Fax: (613) 598-3167

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Fax: (613) 597-8503

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Fax: (613) 598-6858

TRANSPORTATION TEAM
Henri Souquières
Team Leader
To contact a team member:
Tel.: (613) 598-3164
Fax: (613) 598-2504

** If you are new to exporting and/or have annual export sales of up to $1 million, contact EDC's Emerging Exporters Team for specialized, streamlined service. If you are an experienced exporter with larger, more complex requirements, contact the appropriate business development manager at the EDC regional office nearest you.*

EDC
SEE

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E-mail: export@edc4.edc.ca Internet: http://www.edc.ca

OTHER ORGANIZATIONS THAT HELP EXPORTERS

Department of Foreign Affairs and International Trade
International market intelligence
InfoCentre 1-800-267-8376

BDC
Business Development Bank of Canada
Specialized financing for small- and medium-sized business
1-888-463-6232

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1-800-748-8191

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(416) 798-8000

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How can we help?
(604) 664-5828